IAI Research Papers

Istituto Affari Internazionali

Promoting Stability and Development in Africa: How to Foster Cooperation between Public and Private Sectors

Edited by Marta Martinelli and Nicoletta Pirozzi

in cooperation with

FOUNDATION FOR EUROPEAN PROGRESSIVE STUDIES
FONDATION EUROPÉENNE D'ÉTUDES PROGRESSISTES

with the support of the Italian Ministry of Foreign Affairs and International Cooperation

Edizioni Nuova Cultura

Series Editor
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First published 2015 by Edizioni Nuova Cultura

For Istituto Affari Internazionali (IAI)
Via Angelo Brunetti 9 - I-00186 Roma
www.iai.it

ISBN: 9788868125950
Cover: by Luca Mozzicarelli
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List of Abbreviations

ACF	Arewa Consultative Forum (Nigeria)
AfDB	African Development Bank
AGOA	African Growth and Opportunities Act
ALF	Afar Liberation Front (Ethiopia)
AMISOM	African Union Mission in Somalia
ANC	African National Congress (South Africa)
ANDM	Amhara Nationalist Democratic Movement (Ethiopia)
APRM	African Peer Review Mechanism
ATF	Agricultural Trade Forum
AU	African Union
AU HIP	African Union High-level Implementation Panel
AUC	African Union Commission
AUMG	African Union Monitoring Group
BACSA	Business Against Crime South Africa
BBC	Black Business Council (South Africa)
BBWG	Big Business Working Group (South Africa)
BEIS	Business Environment Improvement Strategy (Mozambique)
BLNS	Botswana, Lesotho, Namibia and Swaziland
BoI	Bank of Industry
BRICS	Brazil, Russia, India and South Africa
BUSA	Business Unity South Africa
CAR	Central African Republic
CBN	Central Bank of Nigeria
CBO	Community-Based Organisation
CD	Campaign for Democracy (Nigeria)
CDBs	Community Development Boards
CDD	Centre for Democracy and Development (Nigeria)

CENCOD	Centre for Constitutionalism and Demilitarisation (Nigeria)
CLO	Civil Liberties Organisation (Nigeria)
CMEA	Council for Mutual Economic Assistance
CNL	Chevron Nigeria Limited
COMESA	Common Market for Eastern and Southern Africa
COT	Commonwealth Observer Team
CPA	Comprehensive Peace Agreement
CPD	Community Partners for Development (Nigeria)
CSA	Central Statistical Agency (Ethiopia)
CSO	Civil Society Organisation
CT	Chevron and the Community Trusts
CTA	Confederation of Economic Associations of Mozambique
DIRCO	Department of International Relations and Cooperation (South Africa)
DRC	Democratic Republic of the Congo
DTI	Department of Trade and Industry (South Africa)
EAC	East African Community
EC	European Commission
ECCSA	Ethiopian Chamber of Commerce and Sectoral Associations
ECOMOG	Economic Community of West African States Monitoring Group
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EDP	Ethiopian Democratic Party
EFCC	Economic and Financial Crimes Commission (Nigeria)
EFFORT	Endowment Fund for the Rehabilitation of Tigray (Ethiopia)
EIU	Economist Intelligence Unit
EPA	Economic Partnership Agreement
EPPCF	Ethiopian Public Private Consultative Forum
EPRDF	Ethiopian Peoples' Revolutionary Democratic Front
ERP	Economic Rehabilitation Programme (Mozambique)
ESRP	Economic and Social Rehabilitation Programme (Mozambique)
EU	European Union
EUEOM	European Union Election Observer Mission
FBO	Faith-Based Organisation
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria

FOMWAM	Federation of Muslim Women Association of Nigeria
FRELIMO	Frente de Libertação de Moçambique (Liberation Front of Mozambique)
FTA	Free Trade Agreement / Free Trade Area
G20	Group of 20
GADA	Gender and Development Action (Nigeria)
GDP	Gross Domestic Product
Ginbot 7	Ginbot 7 (May 7th) for Democracy and Justice
GMoU	Global Memorandum of Understanding
GNI	Gross National Income
GoS	Government of Sudan
GRM	Governance Renaissance Movement (Nigeria)
GTP	Growth and Transformation Plan
ICPC	Independent Corrupt Practices Commission (Nigeria)
IDA	International Development Association
IDASA	Institute of Democracy, South Africa
IDP	Internally Displaced Person
IEA	International Energy Agency
IFF	Illicit Financial Flow
IFs	International Futures
IGAD	Intergovernmental Authority on Development
IGADD	Intergovernmental Authority on Drought and Development
IIAG	Ibrahim Index of African Governance
IMF	International Monetary Fund
INEC	Independent National Electoral Commission (Nigeria)
ING	Interim National Government (Nigeria)
IPAP	Industrial Policy Action Plan
JAF	Joint Action Front (Nigeria)
JDPC	Justice, Development and Peace Commission (Nigeria)
JSE	Johannesburg Stock Exchange
JTF	Joint Task Force
LEEDS	Local Economic Empowerment Development Strategy (Nigeria)
MCA	Millennium Challenge Account
MDGs	Millennium Development Goals
MDM	Movimento Democrático de Moçambique (Democratic Movement of Mozambique)
MEDREK	Forum for Democratic Dialogue in Ethiopia

MEND	Movement for the Emancipation of the Niger Delta
MFA	Ministry of Foreign Affairs
MIDROC	Mohammed International Development Research and Organisation Companies
MMG	Media Monitoring Group
MPLA	Movimento Popular de Libertação de Angola (People's Movement for the Liberation of Angola)
MTEF	Medium Term Expenditure Framework
NA	National Assembly
NACF	National Anti-Corruption Forum (South Africa)
NADECO	National Democratic Coalition (Nigeria)
NAPEP	National Anti-Poverty Eradication Programme (Nigeria)
NATCOMS	National Association of Telecoms Subscribers (Nigeria)
NATO	North Atlantic Treaty Organisation
NAWL	National Association of Women Lawyers (Nigeria)
NBC	National Business Conference (Ethiopia)
NBS	National Bureau of Statistics
NCC	Nigeria Communications Commission
NDAP	Niger Delta Amnesty Programmes
NDP	National Development Plan
NEBE	National Electoral Board of Ethiopia
NEDLAC	National Economic Development and Labour Council (South Africa)
NEEDS	National Economic Empowerment Development Strategy (Nigeria)
NEPAD	New Partnership for Africa's Development
NIREC	Nigeria Inter-Religious Council
NISER	Nigerian Institute of Social and Economic Research
NLC	Nigerian Labour Congress
NNPC	Nigerian National Petroleum Corporation
NPC	National Planning Commission
NPSA	National Peace and Security Architecture (Nigeria)
NRC	National Republican Convention (Nigeria)
NUJ	Nigerian Union of Journalists
OAU	Organisation of African Unity
OECD	Organisation for Economic Co-operation and Development
OLF	Oromo Liberation Front (Nigeria)

ONLF	Ogaden National Liberation Front (Ethiopia)
ONM	Occupy Nigeria Movement
OPDO	Oromo People Democratic Organisation (Ethiopia)
PAP	Poverty Alleviation Programme
PARP	Plano de Acção para a Redução da Pobreza (Action Plan for the Reduction of Poverty, Mozambique)
PARPA	Plano de Acção para a Redução da Pobreza Absoluta (Action Plan for the Reduction of Absolute Poverty, Mozambique)
PDP	People's Democratic Party (Nigeria)
PEGA	Political, Economic and Governance Analytical approach
PEP	Poverty Eradication Programme
PESTLE	Political, Economic, Social, Technological and Legal Environment
PIB	Petroleum Industry Bill
PLAC	Policy and Legal Advocacy Centre (Nigeria)
PSWG	Private Sector Working Group (Mozambique)
RDB	Regional Development Board
RDC	Regional Development Council
REC	Regional Economic Community
RENAMO	Resisténcia Nacional de Moçambique (Mozambique National Resistance)
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
SALW	Small Arms and Light Weapons
SARB	South African Reserve Bank
SDP	Social Democratic Party (Nigeria)
SEEDS	State Economic Empowerment Development Strategy (Nigeria)
SEMG	United Nations Somalia and Eritrea Monitoring Group
SEPDM	Southern Ethiopian People Democratic Movement
SME	Small and Medium Enterprise
SNG	Save Nigeria Group
SNNPR	Southern Nations, Nationalities, and Peoples' Region (Ethiopia)
SOE	State Owned Enterprise

SPLM	Sudan People's Liberation Movement
SWAPO	South West Africa People's Organisation (Namibia)
TDCA	Trade Development and Cooperation Agreement
Teselico	Technical Sectoral Liaison Committee
TIDCA	Trade, Investment, and Development Cooperative Agreement
TIFA	Trade and Investment Framework Agreement
TMG	Transition Monitoring Group
TPDM	Tigray People's Democratic Movement (Ethiopia)
TPLF	Tigrayan People's Liberation Front (Ethiopia)
UK	United Kingdom
UN	United Nations
UNAMID	African Union/United Nations Hybrid Operation in Darfur
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNISFA	United Nations Interim Security Force for Abyei
UNMISS	United Nations Mission in the Republic of South Sudan
UNSC	United Nations Security Council
US	United States
USSR	Union of Soviet Socialist Republics
WIN	Women in Nigeria
WLDCN	Women, Law and Development Centre (Nigeria)
WORDOC	Women Research and Documentation Centre (Nigeria)
WTO	World Trade Organisation
YIAGA	Youth Initiative for Advocacy, Growth and Advancement (Nigeria)
YWCA	Young Women's Christian Association
ZANU-PF	Zimbabwe African National Union-Patriotic Front

Preface

I am pleased to write the preface of this publication on stability and development in Africa, supported by the Foundation for European Progressive Studies, which I have the honour to chair, and edited by Marta Martinelli and Nicoletta Pirozzi for the Istituto Affari Internazionali, which I would like to thank for the excellent research. I am not an expert on African issues and my intent here is just to put on the table a few questions that I consider crucial and that are presented by the authors of this publication in their contributions.

I remember that at the turn of the twenty-first century the British magazine *The Economist* dedicated a large section of one of its May issues to the "hopeless continent." Failure and despair, warfare and thuggery, poverty and pestilence, floods and famine were the words used to describe the daunting situation and prospects of not just a single country, but of the whole of Africa, which seemed to be so intractable that, "it began to look as though the world might just give up on the entire continent."[1]

Some of the articles focused on Sierra Leone, which, manifesting the African countries' worst characteristics, epitomised the rest of Africa. Fifteen years later, things have changed dramatically. According to the 2014 African Economic Outlook, Sierra Leone is currently the fastest growing country of West Africa. Its projection of growth in the present year is close to 14 percent. Once again, Sierra Leone represents an extreme example of the circumstances of the continent, whose average

[1] "Hopeless Africa", in *The Economist*, 11 May 2000, http://www.economist.com/node/333429.

growth rate is estimated to be about 6 percent in the next decade. These figures show as well that Africa's growth has returned to the pre-global recession levels and that even if the financial crisis has impacted on the African economies, their growth remains, on average, impressive.

They also demonstrate that, fifteen years after that disheartening issue of *The Economist*, Africa is no longer a hopeless continent and, in spite of broad divergences in the level of development and wealth among the African States, persisting wide economic and social inequalities, and the many obstacles to be overcome in their path towards progress, African economies have grown, on average, since the turn of the century, more than any other part of the world, save for China and India.

This positive tendency is indeed to be ascribed to several factors, from the boom of commodity prices, driven mainly by the growth of demand from China and other emerging markets, to oil and gas as well as mining discoveries (30 percent of the new energy resources findings over the last five years have been made in Sub-Saharan Africa), from the effects of the debt relief packages to the increase in remittances and, above all, foreign investments from non-OECD countries and in particular from new economic actors, such as China and Brazil.

However, as mentioned earlier, economic performances differ widely across the continent and not all the African countries are benefitting equally from this positive trend. Some States have managed to improve the investment environment and will keep growing in the years to come; others, despite the impressive economic growth, have failed to diversify their economies or have not carried out the necessary reforms and risk failing to maintain a steady pace; unfortunately, there are also countries that are falling behind due to mismanagement, corruption, or conflict.

This divergence results, on the one hand, from factors on which people have little or no influence, such as weather conditions or the availability of natural resources, and, on the other hand, from the governments' capability to build momentum and face important challenges, such as maintaining political and social stability; strengthening their institutional capacity; improving the investment climate; accelerating the building of infrastructures; promoting regional integration; transforming resource-driven economies to ones characterised by higher added value and greater sustainability; and managing with caution their natural resources, for which there is obviously a growing global appetite.

As for the latter points in particular, let's not forget that the high commodity demand that has contributed to the recent growth trends is not endless. Changes in the Chinese or Brazilian economies or their slowing down, for example, can have an impact on their African partners.

That is to say that Africa has huge potentials and great opportunities, but these need to be grasped in order to consolidate this encouraging trend, which, it must be underlined, seems to be qualitatively different from past spurts.

Poor governance, in particular, represents one of the crucial shortcomings of the continent. Most African countries have been moving, with different speed and mixed results, onto a democratic path and have enhanced their governance, institutional framework and democratic standards. Yet a lot remains to be done. According to Freedom House only 10 out of 49 Sub-Saharan countries are to be considered free, while illiberal regimes endure in 19 States;[2] and in most countries political rights and civil liberties have declined over the past five years.

As for North Africa, the Arab Spring revolts have fuelled hopes for democratisation that, with the notable exception of Tunisia, have not materialised. Actually, there is a widespread fear that unrest in that area might spill over and further affect stability in other regions of the continent.

Alongside strengthening democratic governance and the rule of law, social rights and economic inequalities urgently need to be addressed. Even if poverty levels are falling, incomes are rising, a middle class is steadily emerging, and the participation of women in political life is gradually growing, the question of social inclusion, of the highly unequal economic and social opportunities remains very serious.

Economic growth, in fact, has not led to a corresponding and sufficient increase in wages or employment, or in an adequate improvement of the population's living conditions. And, particularly in the countries that are richer in natural resources, which – it must be noted – benefit

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[2] Freedom House, *Freedom in the World 2015*, https://freedomhouse.org/report/freedom-world/freedom-world-2015.

mainly national elites and multinational companies, wealth inequalities are even widening. In fact, if we consider the Human Development Index (HDI), we can observe that resource-rich countries are heavily concentrated in the lower ranks. Equatorial Guinea, for example, is ranked 46th on the gross national income (GNI) per capita scale, but only 144th on the human development one.[3]

Education must also be part of a broad development scheme. Today, African countries suffer an enduring deficit in primary and secondary education. Since the beginning of the century there has been a noteworthy increase in school enrolment, but this is far from being enough. Sub-Saharan countries have the worst world records in this field: 22 percent of primary school-age children and 66 percent of secondary ones do not attend school at all.

And yet, with Africa being the youngest continent on the planet, African governments should look at youth as a potential engine of growth and innovation, and therefore invest in human capacity, by improving education standards, building a better skilled workforce, expanding employment opportunities, particularly in qualified jobs, and tapping into their diasporas as a source of knowledge. Today, the share of vulnerable employment remains as high as 70 percent of total employment. Too many people still work in the black economy.

Another question that should be urgently dealt with and that seems to be almost paradoxical in a continent so rich in energy resources is that of people's access to electricity. Today about 70 percent of the Sub-Saharan population have none. This means over 600 million people. According to the International Energy Agency's *Africa Energy Outlook*, in the last fifteen years, "two out of every three US dollars invested in Sub-Saharan Africa went to produce energy for export."[4]

A part from the larger investment opportunities that efforts at filling this gap would offer, providing access to modern energy to African people must be an essential component of any development plan aimed at meeting pressing social goals.

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[3] UNDP, *Human Development Report 2014*, http://hdr.undp.org/en/2014-report.

[4] Fatih Birol, "Pathways towards an Energised Africa", in *IEA Energy*, No. 7 (November 2014), p. 44, http://www.iea.org/media/ieajournal/Issue7_WEB.pdf.

The problems I have listed so far imply of course social justice. But they are also a question of social stability. There is no doubt that in the future the African governments will have to face more and more challenges from discontented citizens, who are increasingly interconnected and aware of their rights.

This would add to an escalation of political violence that has been taking place in the last years and that no longer entails large wars between States, as happened in the past decades. Nowadays, we instead observe smaller warfare involving rebels, insurgents, mercenaries and Islamist groups fighting against feeble governments and often controlling wide areas or provinces within single states. Yet, they still tend to have an impact on neighbouring countries' stability.

From South Sudan to the Central African Republic, from the Democratic Republic of Congo to Mali, Somalia and Nigeria – where the infamous Boko Haram insurgency has been sowing terror in the civilian population since 2009 – violent and increasingly better armed non-State actors proliferate and generate insecurity. So far, even relatively wealthy and well-armed States, such as Nigeria and Kenya, have failed in containing these rapidly spreading terrorist threats.

While the western media have recently focused attention mainly on the Islamic State militants in Syria and Iraq, Boko Haram's horrible mass kidnapping shows that in Africa too there is plenty of scope for homegrown fundamentalism to take hold.

Together with securing the waters off the coast of Somalia, which since the beginning of the century have been menaced by piracy, these are security issues that need to be addressed urgently. Yet, I think it is necessary to tackle them with a broad approach, taking into due consideration the social and economic roots of the phenomenon. As for piracy, for instance, we should not forget that it is also a consequence of European super-trawlers unfairly competing with local fishermen, exploiting the resources of this region, buying fishing rights, and depriving local communities of essential revenues.

Regional integration has, in my opinion, a crucial role to play in the field of peace and security. Despite the African Union's attempts to strengthen its intervention capabilities and its undeniable achievements, member States' different national interests and priorities, lack of political will and financial difficulties as well as, gaps in communication and coordination among AU bodies have so far hindered the process of integration.

I would like to underline that the Istituto Affari Internazionali together with FEPS three years ago released an excellent publication on the role of regional organisations in strengthening peace and security in Africa.

The African Union and sub-regional bodies – such as the Southern African Development Community (SADC) – have represented major advances in regional governance. Efforts by regional economic communities to promote free movement of goods and people and the harmonisation of business regulations have been made. However, problems with enforcement and consistency persist.

Deepening regional integration would help the African States boost their economic development, making them more competitive in the global markets. Apart from a handful of States, most African countries are, in fact, small economies. Moreover, fragmented markets, lack of an adequate and cheap transportation network and other infrastructures, diverse regulations from one country to another and other tariff and non-tariff barriers are deterrents to investors. It astonished me to find out, for instance, that trade within Africa amount to only 10 percent of the continent's total trade.

Mutual mistrust, unequal and unsteady commitment, and reluctance by political leaders are thus to be overcome if African governments wish to pave the way for a robust and sustainable growth.

This concerns Africa's relationship with other global actors. As I said earlier, one of the drivers of African countries' growth has been the surge of commercial relations with other emerging economic players. In particular I cited China and Brazil, but I could have also mentioned India. African governments have with reason welcomed alternatives to traditional western economic partners and donors. If such partners pursued a policy of non-interference in domestic politics and of respect of sovereignty, without insisting on human rights and democratic standards, it was of course, from their point of view, even better.

China has now become Africa's biggest trading partner and India is the fourth largest investor.

As for the European Union, it remains a strong economic partner. However, Europe's share in African markets has progressively reduced. And this is a trend that will probably persist in the future, considering the increased competition that EU member States will have to face.

This said, historical ties, geographic proximity, stability and – I should also add – health concerns (considering the serious question of the current epidemic of Ebola in West Africa) should make relations with this continent a priority for the European Union.

Therefore, the EU African policy, in my opinion, should put emphasis on a partnership based on awareness of the common interests and the deep interdependence between the two continents, rather than on simply solidarity and aid, avoiding the patronising attitude that characterised Europe's approach in the past.

Furthermore, since African stability and security are strictly linked to security in Europe too, I think that it is in our interest to encourage human development, social justice and economic prosperity in this continent, instead of reacting – as many European governments have been doing recently – by advocating stronger border controls and restrictions against the flow of migrants from the African coasts to the European ones.

Economic development, social and political stability, and security are inextricably linked. A path full of challenges but also of opportunities is what lies ahead of African governments, civil society and private investors. Each of them has an essential role to play in order to ensure a future of long-term growth and social development.

Massimo D'Alema
Turin, 1 December 2014

Introduction

Marta Martinelli and Nicoletta Pirozzi

This publication is the final product of a project on "Promoting stability and development in Africa: How to foster cooperation between the public and the private sector", conducted by the Istituto Affari Internazionali (IAI) of Rome together with the Foundation for European Progressive Studies (FEPS) of Brussels and with the support of the Italian Ministry of Foreign Affairs and International Cooperation.

The starting point for the project is the assumption that Africa is experiencing one of the greatest transformations of its history. Today's Sub-Saharan Africa is still marked by enduring instability, alimented by ongoing conflicts, governance and electoral crises, epidemic diseases, mass migrations and terrorist threats. At the same time, it is characterised by potentially positive developments such as: efforts at fostering continental and regional integration through the African Union (AU) and the Regional Economic Communities (RECs), more people connectivity and communication through mobile networks, a rising middle class, the increasing presence of new stakeholders such as China, Brazil, the Gulf States and Turkey and the economic opportunities represented by new partnerships, alongside traditional actors such as the European Union (EU), the European countries and the United States (US).

At the economic level Sub-Saharan Africa has also experienced some improvements. From the end of the 1990s till the current global financial and economic crisis, economic growth was considerable. This period of relatively rapid economic growth was driven by several external and internal factors such as a) the commodity price boom, b) debt relief c) regional cooperation and d) rising foreign direct investments. At the same time, factors such as regional instability, domestic conflicts, inflexible production systems, together with 20 years of structural adjustment programmes, have deepened economic problems in the region and complicated their management, with enduring consequences on the potential for rapid and sustainable growth in the Sub-Saharan region. As the chapters presented in this publication contend, the growth experienced by Sub-Saharan Africa is not yet matched by wealth distribution, economic justice and democratic participation in processes of economic decision-making. It also suffers from generally weak regulatory frameworks and widespread corruption.

The research project aims at, on the one hand, identifying challenges and opportunities of cooperation between the state, regional institutions and private actors in fostering economic development, improving governance and promoting peace and security in Sub-Saharan Africa; and on the other, assessing how the EU and its member states, in cooperation with the US and other relevant international actors, can better engage both the private and public sectors in order to rethink and reinvigorate the Africa-EU partnership.

The research has been articulated in three thematic clusters: (1) economic policies and sustainable development; (2) good governance and democracy; (3) peace and security. Primary and secondary research in key countries and relevant regions in Sub-Saharan Africa has been conducted with the aim of assessing the role of the private sector and determining the partnership opportunities that could potentially be developed with the public sector. These in turn have a role to play in:

1) Implementing economic policies (fiscal and monetary) and structural reforms which are required to achieve recovery in terms of sustainable growth and employment creation;
2) Promoting good governance and democratisation at state level, including through initiatives targeted at strengthening institutions and improving the space for democratic participation as essential conditions for improved living standards, more stability and investments;

3) Addressing the main determinants of instability and insecurity in key countries, looking at both social/ethnic/demographic causes of conflicts and evolving trends of radicalisation and criminal networking.

The research focuses on a pre-identified set of case studies and relies on the expertise of country specialists that provide insights based on concrete realities and suggestions with the potential to impact on local contexts. The countries selected are: (1) Ethiopia as a case of rapid growth although the country is still characterised as a pre-transition economy and is affected by instability; (2) Mozambique, which has an expanding economy and is an emerging oil and gas exporter; (3) Nigeria, which provides one of the most interesting examples of transition economies in the continent; (4) South Africa, which, in spite of deep economic disparities is counted amongst the most advanced of Africa's economies.

All the case studies are differentiated in terms of economic structures, geographical location, political and security situation, as well as in terms of international and regional stakeholders involved. They refer to countries in which the local private sector has the potential to be involved in complementary partnerships to help foster greater stability and development. At the same time, the countries presented in this publication represent potential markets in which European, US and international private sectors could expand their partnerships and investments. However, as research finds, the overall transparency and accountability of public-private partnerships and regulatory frameworks need to be improved or implemented more consistently through more open stakeholders' consultations if they are to become vehicles of national development.

Findings from the country case studies have provided the basis for an overall assessment of the status, challenges and opportunities of partnerships between the public and private sectors in fostering sustainable development, good governance and democracy, peace and security in Sub-Saharan Africa, as well as of the implications for the Africa-EU partnership and transatlantic cooperation. The overall analysis, together with a series of policy recommendations, is presented in the final chapter of this book.

The editors wish to thank Giorgio Garbasso and Bernardo Venturi for their valuable support in the editing process of this volume.

1.
A Case Study of Ethiopia

Mehari Taddele Maru and Abel Abate Demise

During his meeting last year with Prime Minister Haile-Mariam Desalegn of Ethiopia, President Barack Obama 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 (White House 2014).

Referring to Ethiopia's economic performance as "one of the fastest-growing economies in the world," he dubbed the country as exemplary of the "bright spots and progress" in Africa. Recent promising mega-trends in economic growth and relative stability in the region, coupled with an expansion of both middle class and market fuelled by a fast-growing population have created a surge of interest in trade and opportunity for investment.

Starting with a view of the underpinnings of economic policies in Ethiopia, the chapter explains the idea of developmental State and its place in the ruling dominant party, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF). It then goes on to discuss four intertwined roles of the Ethiopian State at the national and regional level: economic development, democratic governance, peace and security, and regional integration. It also illustrates the role that public and private actors play in Ethiopian political and economic development and the dynamics of public-investment-led economic development, and their implications for Ethiopia's regional integrative roles.

The chapter explores the role that the State and the private sector could play in fostering good governance and increasing security in the region as well as considering the role of international institutions, including challenges and opportunities, in fostering growth, better governance and increasing security in the region.

Finally, it considers key peace and security issues and concerns, the internal and external threats to Ethiopia's stability, and the national efforts exerted to maximise opportunities for consolidating stability.

The research integrates well-known methods, including the PEGA (Political, Economic and Governance Analytical) approach and PESTLE (Political, Economic, Social, Technological and Legal Environment) scanning as the two main 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, whereas PESTLE scans all aspects including normative, institutional and processes in governance as well as social, technological and legal situation analysis, particularly in relation to human security, vulnerabilities and capabilities of the Ethiopian State and society. The chapter thus mainly relies on the following three methods:

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

1.1 ECONOMIC DEVELOPMENT: COMBATING POVERTY

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

With a population of more than 96.9 million,[1] Ethiopia is the second most populous country in Africa. With 57 percent of the population younger than 20 years old (census 2010) and an average annual rate of 2.5 percent population growth, Ethiopia's population is expected to reach 103 million by 2017 and 143 million by 2030.[2] Ethiopia is also one of the world's poorest countries, with a per capita income that is much lower than the Sub-Saharan African average of 1,699 dollars. At 550 dollars Ethiopians earn about a third compared to their African brothers and sisters.[3] In addition, 17 percent of their per capita income comes from international aid, making Ethiopia one of the highest aid recipients. In spite of this, the national poverty head count ratio has reduced by 15 percent over five years, from 45.5 percent in 1995 to 29.6 percent in 2010.[4] This constitutes a 15 percent reduction in five years. With an annual increase of 3 percent, over the past 15 years Ethiopian has improved by 45 percent on the Human Development Index. Over that period life expectancy at birth increased by 15.8 years, mean years of schooling increased by 0.7 years and expected years of schooling by 6.3, and GNI per capita increased by 102 percent.

Despite the progress, poverty is expected to remain above 50 percent until 2020[5] and represents the greatest internal challenge to Ethiopia's peace and development.

Ethiopian agricultural exports account for 70 percent of its international trade but agriculture contributes only 42 percent of the gross domestic product (GDP) (Zerihun Wondifraw et al. 2015:4). Prone to erratic weather and climate change, rain-fed agriculture easily turns drought to famine when the government fails to intervene. Despite a large decrease in the number of people in need of food aid,[6] Ethiopia remains one of the largest operation countries for the World Food Programme (WFP).

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[1] World Bank Data: *Ethiopia*, 2014, http://data.worldbank.org/country/ethiopia.

[2] International Futures, *Country Profile: Ethiopia* (IFs Version 7.15), http://www.ifs.du.edu/ifs/frm_CountryProfile.aspx?Country=ET.

[3] World Bank Data: *Ethiopia*, cit.

[4] Ibid.

[5] International Futures, *Country Profile: Ethiopia*, cit.

[6] From 75 to 35 percent over two decades. See WPF website: https://www.wfp.org/countries/ethiopia.

The health service covers only 25 percent of the rural population, and 80 percent of morbidity in Ethiopia is due to preventable communicable and nutritional diseases. Only 28 percent of Ethiopian mothers receive maternity care and more than 90 percent of deliveries take place at home (Chaya 2007).

While primary school enrolment has recently reached 87 percent and is expected to be universal by the end of 2015 (Ethiopian Ministry of Education 2013:5, 38), the 2005 demographic and health survey results 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. Finally, only 3 percent of males and 2 percent or less of females have completed secondary school or higher (Ethiopian CSA and ORC Macro 2006:18-19).

In contrast with the above, in recent years Ethiopia has achieved remarkable progress on the economic front. One of the five fastest growing economies in the world (Zerihun Wondifraw et al. 2015:1), Ethiopia has recorded double-digit growth rates for the entire decade, making it Africa's fastest growing non-oil producer. Despite concerns about growth sustainability, various forecasts, including by international and regional development and financial institutions, have confirmed and hailed the "high" economic growth rate Ethiopia has registered.

With close to 55 billion dollar GDP in 2014,[7] Ethiopia's economy is expected to be one of the top five economies in Africa very soon and the trend is expected to last. This constitutes an average annual per capita income growth rate of 3.65 percent. Ethiopia is also appreciated for its efforts towards 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 estimates, Ethiopia is among the few countries in Africa that are likely to achieve the Millennium Development Goals, if not on schedule then soon after (World Bank 2010:1). Education is where the strongest improvements have been observed. In 1994-95 approxi-

[7] World Bank Data: *Ethiopia*.

mately 3 million pupils were in primary school, but in 2008-09 the number increased by more than 500 percent to 15.5 million (Engel and Rose 2011:7).

1.1.1 The Political Economy of Ethiopia: The 1970s Student Movement and its Dominant Political Framework

An offshoot of the Student Movement of the 1970s that played a key role in the 1974 Ethiopian Revolution that toppled Emperor Haile Selassie, governance under the EPRDF-led government is ideologically 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 term for the 1960s struggle against ethno-linguistic domination in Ethiopia, famously referred to as *Ye Biher Bihereseb Tiyaque* in the Amharic language), (2) the "land question" (in Amharic known as *Ye Meriyet Tiyaque* or "Land to the Tiller", *Meret La Rashu*), (3) unquestioning support for Marxist-Leninist ideology, (4) extreme intolerance of any form of dissent and (5) high commitment to public service (Maru 2004). When the EPRDF seized power in Ethiopia in 1991, the Federal Constitution stipulated State ownership of the land, and federalism as an institutional form for the protection, expression and promotion of nationalities (Ethiopia 1994). Key articles are Article 8 (on sovereignty of ethno-cultural communities), Article 39 (on the right to self-determination and secession) and Article 40 (on collective ownership of land).

The EPRDF became synonymous with ethno-linguistic federalism, the right to secession and collective land ownership, and as a way to address the "question of nationalities" and the "land question." It was less clear on the kind of political economy it planned to establish. The end of the Cold War forced the EPRDF to abruptly abandon its long-held Marxist-Leninist ideology of State and society and to unofficially and tactically embrace market-friendly governance in the early 1990s. Highly pragmatist in retaining and maintaining political power, the EPRDF has gone through a long 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" prioritises 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.

1.1.2 Developmental Political Party: Towards a UNDP-like State?

Convinced that the Federal Constitution had helped to address long-standing political questions of the 1970s Student Movement, the EPRDF chose to focus on poverty eradication as a priority and looked to the east for inspiration on developmental service delivery. China and South Korea provided good examples on which the EPRDF decided to base its economic model, albeit with some adjustments to reflect Ethiopia's historical, cultural and other national peculiarities. With authoritarian or Marxist-dominant parties at some time in their history, these countries have a highly dominant ethnic community and are less heterogeneous in diversity than Ethiopia.

In general, developmental States emphasise the delivery of public services over democratic governance. The developmental State, as conceptualised by the 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, providing a lead for all public and private actors engaged in economic activities. Accordingly, the State monopolises not only the means and use of violence, norm-setting mandates, and regulatory and enforcement powers, but also the economic space of the country. Thus, the EPRDF's idea of the 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. The 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 Democratic Dialogue (commonly referred to as MEDREK in Amharic) share a similar ideological outlook with the ruling party. Other opposition parties led by a generation of new politicians such as the Ethiopian 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 parties with roots in the 1970s Student Movement. They prioritise individual rights, land private ownership and market-led economy. The intense political debate on the recent large-scale 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 the EPRDF, State ownership of land and an emphasis on group rights are the logical culmination of the "national questions" of the 1970s Student Movement and the armed struggle that followed. Through enabling State ownership of the land and adopting a federal system, the EPRDF believes that it has fulfilled the core demands of the Movement. It believes that peace and economic development in Ethiopia can only be achieved through federal arrangements and protection of the overwhelmingly agrarian population from displacement due to dispossession of its land. For the opposition political parties, the EPRDF's land and federal policies are a means to maintain power by controlling land – the vital means of economic activity for the great majority of Ethiopians.

On some of the critical aspects of political and economic governance such as federalism, employment and infrastructure development, it is hard to discern positional distinctions between opposition and ruling parties except for some differences in implementation. A major historical step was the decision of the EPRDF to support the secession of Eritrea, which was opposed by all opposition parties and has resulted in Ethiopia becoming landlocked. The opposition believes Ethiopia has the right to access to the sea, and declares that it is committed to fight towards this end.

1.1.3 Public-Private Partnership in Ethiopia: PPP in a Developmental State

According to the EPRDF, a developmental State runs and invests in the public sector, while the private sector intervenes. With an ultimate aim of making Ethiopia a 1.7 trillion birr (85 billion dollars) economy and sustaining the accelerated economic growth, in 2010 the Government of Ethiopia launched the first phase of its Growth and Transformation Plan (widely known as GTP) (Ethiopian Ministry of Finance 2010). Phase one had the objective of maintaining at least an average real GDP growth rate of 11 percent per annum and meeting the Millennium Development Goals (IDA and IMF 2011). In October 2014 the government of Ethiopia has declared that the economy has currently reached 1.05 trillion birr (55 billion dollars). However, there is huge gap between policy and practice. The 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, railway lines, electricity supply and telecommunications. In practice, the public sector dominates all economic spaces.

Four sets of actors are key to the Ethiopian economy: the State public sector, the informal sector including smallholders (which constitutes 42 percent of the GDP), foreign direct investment (private firms, public enterprises and sovereign funds), and the domestic private sector. Public investments fund and support the soft and hard infrastructure necessary for the economic development of the country. The government not only invests in basic public services such as roads, railway, energy and water, but also in industries it calls "strategic" for development and stability including information and communication, finance and banking, transportation, steel and metal engineering, sugar production, etc. Moreover, the four EPRDF member parties[8] and some of the regional states have businesses that are established as endowments but that are

[8] EPRDF is a coalition of four parties organized around the four major ethnic groups.

run by the member parties of the EPRDF. These include the Endowment Fund for Rehabilitation of Tigray (EFFORT) of the Tigrayan People's Liberation Front (TPLF), BiftuDinsho of the Oromo People Democratic Organisation (OPDO), Wondo of the Southern Ethiopia People Democratic Movement (SEPDM) and Tiret of the Amhara Nationalist Democratic Movement (ANDM). Established in 1987, EFFORT is one of the biggest conglomerates in the country with an estimated capital of 2 billion birr. It is currently involved in activities in the manufacturing, service, merchandise, construction, mining and agriculture sectors.[9]

In addition to the massive State investment, the Ministry of National Defence runs the Metals and Engineering Corporation, which manages large projects of the public sector. Mohammed International Development Research and Organisation Companies (MIDROC), comprising 41 companies owned by the Ethio-Saudi tycoon Mohammed Hussein Al Amoudi (worth 12 billion dollars), constitute the largest share of the domestic private sector.

1.1.4 The Ethiopian Public-Private Consultative Forum

Fombad (2013:3) defines public-private partnerships (PPPs) as "working arrangements based on a mutual commitment (over and above that implied in any contract) between a public sector organization and any organization outside of the public sector." Asubonteng (2011:4) 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 organisation and a private party whereby the latter performs whole or certain parts of the government organisation'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

[9] For more information see the EFFORT website: http://effortinvestments.com/index.php/about-effort-investments.

charges or direct payments from the government in accordance with the pre-defined performance criteria.

In relation to accountability, Pongsiri (2002:1) states that 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 organisations through co-operative behaviour. The relative merit of the idea of public-private partnership is oriented mainly around a mutual benefit.

The institutional framework established to promote the PPP is the Ethiopian Public Private Consultative Forum (EPPCF) organised by the Ethiopian Chamber of Commerce and Sectoral Association (ECCSA). It provides a platform for dialogue and improvement of the PPP in Ethiopia.[10] So far, the EPPCF has conducted nine dialogues including its annual National Business Conference (NBC). Chaired by the Prime Minister of Ethiopia, the NBCs have led to a number of reforms including those on customs procedures, removing cumbersome company registration procedures, improvement in business licensing and registration processes, and the establishment of a new Tourism Council.

1.2 GOVERNANCE AND DEMOCRATISATION: A MIXED PERFORMANCE RECORD

1.2.1 Federal Policy: Addressing National Civil War and Localised Conflicts

When the ruling EPRDF eventually took control of Addis Ababa in the early 1990s, Ethiopia was home to more than a dozen ethnic-based secessionist groups. At present the country has nine regional states demarcated mainly along language lines, and two cities (Addis Ababa and

[10] For more information see the ECCSA website: http://www.ethiopianchamber.com/public-and-private-consultative-forum-ppcf.aspx.

Dire-Dawa) under the federal administration. This arrangement accommodates more than 85 ethnic communities with different languages or dialects, making up the country's 96.9 million inhabitants. In addition to linguistic and ethnic diversity, Ethiopia has religious diversity as well: Christianity and Islam are the dominant religions, and traditional faiths, Judaism and a number of other religions are also practiced. 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. The EPRDF overthrew this regime in 1991 when a new federal charter and then constitution was adopted. In 1995 ethnic federalism was seen as the best peaceful constitutional instrument to hold the country together (Maru 2010b).

Any constitutional institution as a politico-legal and social construct 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." 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" (Huntington 1993:267). Given this division and the ethno-linguistic heterogeneity of Ethiopia, a majoritarian democracy system would have had the potential of furthering ethno-linguistic domination and disintegration because the majority (majority by power but not necessarily by number) ethno-linguistic group would be tempted to remain in power permanently and minorities would be confined in opposition or be subject to the benign concessions of those in power.

The drafters of the Federal Constitution favoured a model of consociational democracy, where ethno-linguistic communities would be meaningfully represented in all government institutions, and are the ultimate sovereign entities with constitutional power over both federal and regional states (Article 39). Such communities are also constitutionally entitled to establish regional states or claim independence from Ethiopia. The Ethiopian federal system is intended to contain disintegrative forces and to create a balance between unity and diversity.

Critics of this system claim that it may encourage 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 like Ali Said (1998:114) argue that more devolution in the area of economy, as well as in the area of political power, is necessary if Ethiopia is to remain peaceful.

The first line of criticism opposes ethno-linguistic federalism and the Federal Constitution; the latter demands a full implementation. It is worth noting that in Ethiopian federalism the right to self-determination, which extends to the right to secede, may prevent the central government from tyrannical inclinations and discriminatory treatment of ethno-cultural communities.

Some analysts note that the adoption of Ethiopian federalism was a "fundamental error" because it is based on ethnicity and will "deeply imprint" ethno-linguistic identity (Maru 2004). However, such identities were already deeply embedded before the adoption of ethno-linguistic federalism in 1994 as a result of historical patterns of domination. Hence rather than being the result of the adoption of the Constitution, politicisation of ethno-linguistic groups or ethnicisation of Ethiopian politics is the result of a long political history. What is new is that ethnically based political mobilisation and power sharing are now constitutionally legitimised (Maru 2010a). Ethiopian ethno-linguistic federalism has been designed as a response to the "unfavourable conditions" for the establishment of 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.

1.2.2 Ethiopia According to International Indicators

Indicating the grave challenges in the political front, the 2011 *Ibrahim Index of African Governance* report ranks Ethiopia 34th out of 53 countries in the continent. However, in 2015, Ethiopia was ranked 31st, registering a 3.4 point overall improvement in governance over a period of five years (Mo Ibrahim Foundation 2015). The overall governance standard in Ethiopia is 1.5 points lower than the average for Africa of 50.1, and the country ranks even lower in the participation and human rights indicators.[11] Only in sustainable economic opportunity did Ethiopia score 3.7 points more than the average African score but this rate fell by 3.8 points in the past five years. Should this decrease continue, the EPRDF's main source of legitimacy – delivery of sustainable economic opportunity – would weaken. As a last point, it is worth noting that Ethiopia fares even better than France and the US in the Economist Intelligence Unit (EIU) index for political instability (EIU 2009a:16). This can be interpreted both as a sign of the population's satisfaction with the government's policies and as the inability and lack of political space for change.

Institutions such as the World Bank, the National Democratic Institute, the Economist Intelligence Unit and the Fund for Peace all vary in their methodology and definition of democratic governance and State fragility.[12] Factors common to all these indexes are: (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 elites. While Ethiopia's political stability has significantly improved and most national-level conflicts have subsided, there are many localised violent conflicts. Relatively competitive elections have never been used to promote changes in power, and leadership change within the ruling party EPRDF has taken place with the passing of the late Prime Minister Meles Zenawi. Tellingly, indicators relative to political participation and human rights protection give Ethiopia 13.6 points less than the average for African countries (Mo Ibrahim Foundation 2015). This trend has worsened in the past five years, and overall performance in participation and human rights protection has deteriorated by 0.3 points. This does not consider the low level of political competition in the country since the 2005 elections, including the May 2015 election where the ruling party won all parliamentary seats.

The developmental State of Ethiopia aims at becoming a UNDP-like

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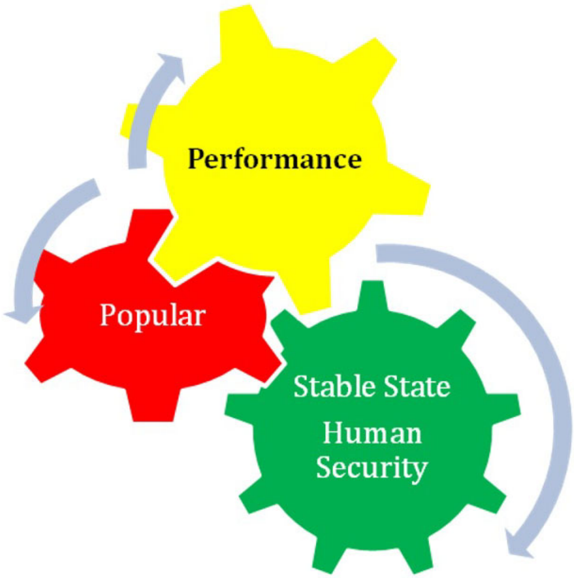
[11] In 2015, Ethiopia has registered a considerable strengthening of performance in safety and rule of law and human development.

[12] World Bank, *Worldwide Governance Indicators*, http://www.govindicators.org; O'Day (2007); EIU (2009b); Fund for Peace, *Fragile States Index*, http://fsi.fundforpeace.org.

service delivery government. Its strong focus on service delivery has come at the expense of reforms needed to encourage democratic governance, and in particular the need for political contestation. 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 quality, quantity and fair distribution in delivery of services. Legitimacy based on delivery would only be sustained by more delivery on par with demand, and to stay in power the ruling party would need to be responsive to public demands.

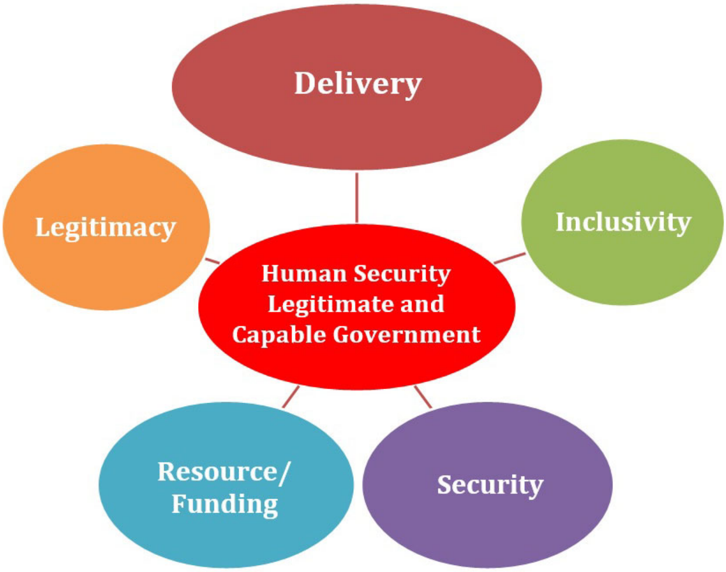
Figure 1 – The Developmental State of Ethiopia



Source: Author's presentation to the AU Peace and Security Council, 19 March 2011.

Despite improvements in governance effectiveness and minority rights, addressing major sources of conflict in previous regimes, the political space is characterised by the fear of politics and a politics of fear. Challenges related to pervasive corruption, 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 to be inclusive in the distribution of services. Despite the contribution of delivery to the "performance legitimacy" a State may enjoy, State power must enjoy also "popular legitimacy" of some form. Lacking popular legitimacy, as the people of Ethiopia have never been able to cast their political choices through ballots, the Ethiopian developmental State relies on its delivery capability to gain legitimacy. Durable as this may be, in the long term delivery and democracy dynamics need to be calibrated taking into account a growing middle class and popular demands.

Figure 2 – Five Pillars of a Viable and Capable State



Source: Author's presentation to the AU Peace and Security Council, 19 March 2011.

1.2.3 Elections in Ethiopia: The Democracy Deficit

Since the end of Dergue's military rule in 1991, Ethiopia has conducted six nation-wide elections. In May 1992 elections of national, regional and *Woreda* (district) level council members were held. The Constitutional Assembly was elected in May 1994. Under the Federal Constitution four multiparty elections were conducted in 1995, 2000, 2005 and 2010. The presence of tens of political parties registered at federal and regional state levels ensures the participatory nature of elections but does not make them competitive. Firstly, less than half the parties registered regularly contend in elections. What is more, the ruling party has affiliated political parties in all regional states and ethnic communities that almost always rally behind its policy and programmes. Considered as the most competitive, the 2005 elections led to disputed results and violence. A result, the 2010 and recent 2015 elections and the local election of April 2008 were generally peaceful but uncompetitive. The ruling EPRDF emerged winner of all seats in the Parliament.

Table 1 – General Elections, 1995-2010

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: National Electoral Board of Ethiopia (NEBE) website, http://www.electionethiopia.org/en.

Table 2 – 2015 General Elections and Results: Figures and Facts

Projected population 2015	96.2 million
Estimated eligible voters	38 million
Projected eligible voters	47 million
No. of registered voters	31,926,520 (84% of the estimated eligible voters)
Voter turnout	29,832,190 (93.4% of registered voters)
Seats in the House	547
No. of party candidates for the House	2,188 (12.4% female)
Seats in the Regional Councils	1904
No. of party candidates for Councils	4,746 (15.3% female)
No. independent candidates	45 (6.6 % 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
CSO (mainly mass-based organisations) observers	41,000 from 16 CSOs
EU / AU observers	170 / 59
Total allocated funds	13 million dollars (227,000,000 birr)

Source: National Electoral Board of Ethiopia (NEBE) website, http://www.electionethiopia.org/en.

Since then the National Electoral Board of Ethiopia (NEBE) has undergone significant legislative, policy and institutional reforms. In 2007, adoption of the amended electoral laws of Ethiopia was followed by the appointment of new members of its Board and the Chief Executive and Deputy Chief Executives of the Secretariat. In addition to local elections, conducted in 2013, elections in 2015 will for the first time elect representatives to the House and Regional Councils.

Election-related complaints in Ethiopia are pervasive.[13] They include detention or physical attacks against candidates and supporters of a particular party or candidate; intimidation and harassment; procedural concerns like delays and denial of issuance of election-related documents such as candidate ID cards and voter's cards; termination of work contracts for public servants nominated as candidates; confiscation of property of a candidate; and stamp- and symbol-related complaints within parties or by parties against candidates. The NEBE itself and some of its officials are also accused of partiality to or membership in political parties, lack of transparency in the selection of public observers and delay in response to grievances. The NEBE, in its post-election report of 2011, 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's participation, poor understanding of election laws, limited accessibility to 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.

Ethiopia's political situation has evolved following the 2005 elections. Parliament passed three widely criticised laws to regulate civil society organisations (CSOs) and 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 10 percent of funding from external sources from many areas of activity, mainly rights-based advocacy).

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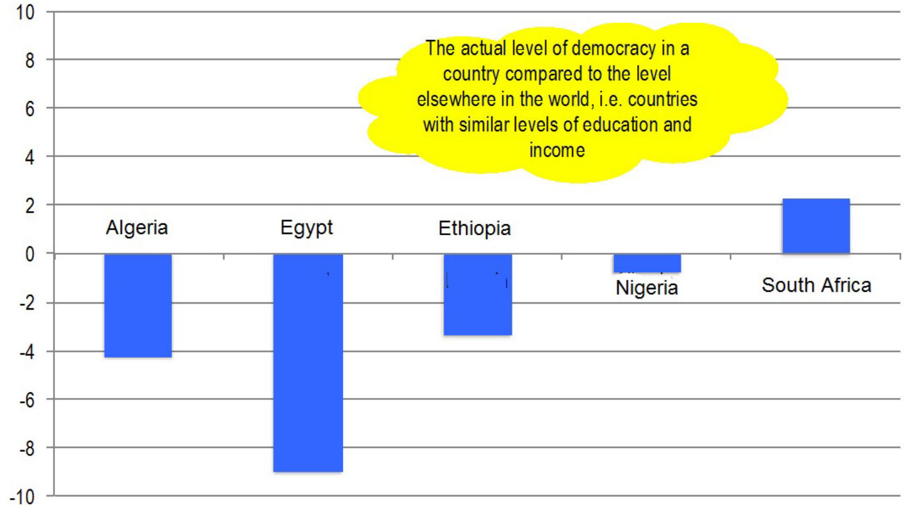
[13] See the NEBE website: http://www.electionethiopia.org/en/complaints.html.

Figure 3 – Democratic Deficit in the "Big Five" African Countries



Source: African Futures Project (Institute for Security Studies).

1.3 PEACE AND SECURITY: MAIN FACTORS FOR INSECURITY AND INSTABILITY

1.3.1 External Threats

Terrorism and Violent Extremism: Al Shabaab and Beyond

Ethiopia has always faced serious external insecurity and instability challenges. The spill-over effects of several conflicts in the Horn of 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, even while losing most of its territory and leadership, the Harakat Shabaab al-Mujahidin – commonly known as Al Shabaab – has succeeded in widening its scope across Somalia. The group has also conducted repeated attacks in Kenya, Uganda and Djibouti. Since October 2011, Ethiopia and Kenya have conducted joint military operations in Somalia and officially contributed troops to the African Union Mission in Somalia (AMISOM). The group has not been able to inflict any damage within the country, but the threat of terrorist attacks within Ethiopia and to its interests remains persistent.

Eritrea and Its Nation-Building Process

Eritrea remains a threat. The animosity between Eritrea and Ethiopia continued even after two decades of a bloody border war from 1998 to 2000, which led the two countries to keep their troops at a standstill even after a verdict was passed on the disputed border territories by the Eritrea-Ethiopia Boundary Commission (2002). Eritrea chose to engage in a proxy war by aligning with all sorts of enemies of Ethiopia. Eritrea hosts, trains and supports “unitarist” armed groups such as the Ethiopian People Patriotic Front, who are strategically opposed to Eritrean independence from Ethiopia, and other ethnic-based secessionist groups including Oromo Liberation Front (OLF), Ogaden National Liberation Front (ONLF), Afar Liberation Front (ALF) and Tigray People’s Democratic Movement (TPDM) (UN SEMG 2014).

As an extension of its border war, Eritrea has supported radical groups such as Islamic Courts Union and Al Shabaab in Somalia since 1998. However, Eritrea’s strategies are backfiring. The UN Security Council (UNSC) has passed sanctions against Eritrea and Al Shabaab. UNSC Resolution 1907, adopted on 23 December 2009, imposed an arms embargo on Eritrea as well as 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 Al Shabaab in Somalia and reportedly refusing to withdraw troops from its disputed border with Djibouti, following a conflict in 2008 (UN News 2009). The UNSC in December 2011 placed additional sanctions on Eritrea for continuing to provide support to armed groups seeking to destabilise Somalia and other parts of the Horn of Africa, building on the arms and travel embargoes it had imposed two years earlier (UN News 2011). The UNSC has also condemned the alleged terrorist attack planned by Eritrea in January 2011 to disrupt the AU summit in Addis Ababa. The sanctions imposed by the UNSC were initiated by IGAD and later endorsed by the AU (Maru 2014a). With a highly weakened military and an ill leader, Eritrea’s will and capacity for war with Ethiopia has been muted.

1.3.2 Internal Threats

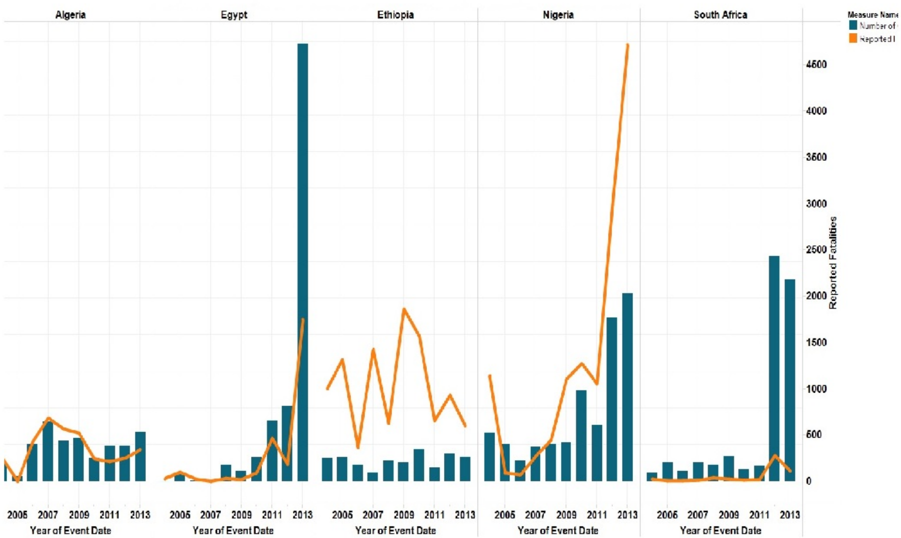
Insurgency

Ethiopia suffers from several conflicts at the local level due to a combination of historical, religious, cultural, political and economic factors (African Rally for Peace and Development 2008). This makes peaceful resolution very hard to achieve.

A major negative and perhaps unintended consequence of ethno-linguistic federalism is that although it provides an effective antidote to tenacious conflicts rooted in ethno-linguistic identity at the national level, it aggravates existing and spawns new – and perhaps no less difficult – conflicts. In some cases it has aggravated existing traditional problems such as ethno-linguistic domination of minorities within regional states, and ethnic conflict over grazing land and water. New kinds of conflicts may also arise because borders and legitimate power sharing are based on the "politics of numbers" with the consequence that claims and rights are to some degree ethnicised (Maru 2010b).

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.

Figure 4 – Conflict Events and Reported Fatalities by Year, 2004-2013



Source: African Futures Project (Institute for Security Studies).

The federal arrangement has also been effective in addressing most and defusing some of the secessionist and irredentist movements. As a political instrument of shifting the axis of confrontation from State-insurgent group, federalism has been used as tool of counter-insurgency. In its 2013 report, the International Crisis Group stated that "an intense five-year, relatively successful government counter-insurgency campaign [has] exhausted the local Ethiopian-Somali population sufficiently to push the ONLF back to the table."

1.4 ETHIOPIA'S REGIONAL DIPLOMATIC AND INTEGRATIVE ROLE: STABILITY, PEACE AND DEVELOPMENT

Ethiopia is considered an anchor country in the region because it has not only significantly improved its stability, registered promising economic development and built strong relations with neighbouring countries, but also has become pivotal for regional peace and security. The fact that Ethiopia has transformed from being a source of regional instability and famine to a force for peace and integration is in 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 Abraham 2007).

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 externalised almost all the country's problems by focusing on, and building military defence capabilities against, the historical external enemies of Ethiopia (Tekle 1989). As a result, and also due to Cold War dynamics, its socialist ideology and protracted civil war, Ethiopia did not enjoy trust and influence in Africa and elsewhere. Until the end of the military regime, Ethiopia's main focus was to address external threats and collaborate with regional and global actors for collective security (Tekle 1989). Rooted in its ideological thoughts about the root-causes of Ethiopia's internal troubles and possible solutions, the EPRDF-led government regards economic development, stability and democratic governance as the country's domestic and national priorities. Thus, the government employs regional diplomacy as a platform for solving regional challenges that affected Ethiopia's internal governance and development problems. The Ethiopia's foreign and security policy strategy rightly and explicitly underscores that foreign policy is subservient to Ethiopia's internal policies (Ethiopia 2002).

While defence expenditure has drastically decreased, in terms of troop strength and equipment Ethiopia's armed forces are ranked first in Sub-Saharan Africa. 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 (White House 2014).

Since the establishment of the UN, Ethiopia has successfully participated in more than ten peacekeeping missions at the continental and global level.[14]

Currently, Ethiopia's troop contribution to peace support operations totals 12,702 personnel in Africa (4,395 in the AU mission in Somalia,[15] and 8,307 in UN missions[16]), making it the largest troop-contributing nation in the world. With 4,451 personnel, unlike most peacekeeping

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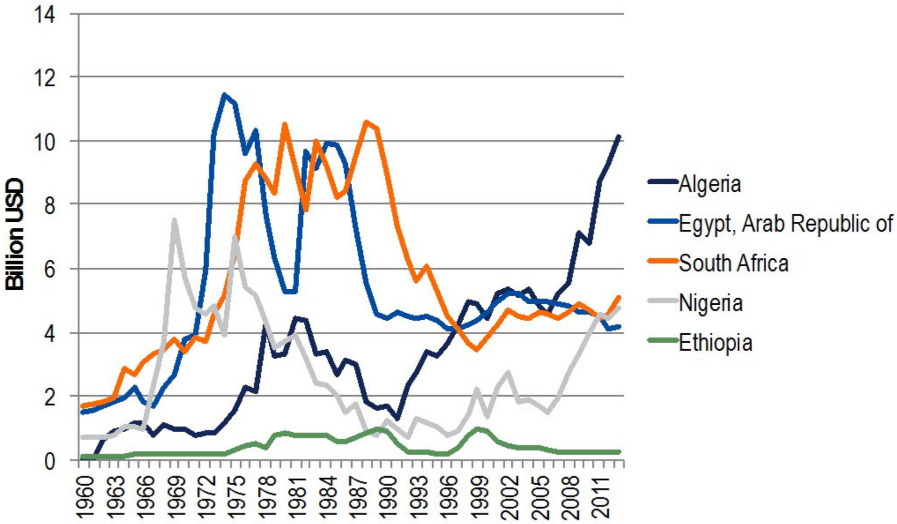
[14] See Dersso (2013) and the UN Dept of Peacekeeping Operations website: *Troop and police contributors*, updated 30 September 2015, http://www.un.org/en/peacekeeping/resources/statistics/contributors.shtml.

[15] See AU Peace and Security Council (2014).

[16] UN Dept of Peacekeeping Operations website: *Troop and police contributors*, cit.

missions UNISFA is entirely composed of Ethiopian troops. The Force Commanders of UNISFA and UNMISS have been Ethiopian Generals (UN News 2014). It is also the third largest contributor to UN Peacekeeping missions in Darfur through UNAMID (2,540 personnel) and South Sudan through UNMISS (1,287).[17]

Figure 5 – Military Spending (estimated)



Source: African Futures Project (Institute for Security Studies).

1.4.1 Leadership in Multilateral Diplomacy

Ethiopia has been the chair of IGAD since 2008. 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. Ethiopia was one of the leading founders and main architects of the Organisation of African Unity (OAU), and its rich history served as seedbed for Pan-Africanism. With this legacy sustained by an active participation, disciplined position and multilateral approach, Ethiopia is able to exude confidence among its peers at the AU and IGAD. Since the early 1950s, Ethiopia has been playing a crucial role in mediation and peace process-

[17] Ibid.

es in the region. For instance, it helped in the resolution of the Nigerian-Biafran civil war (Reuters 1968). It also helped broker the 1972 Addis Ababa Agreement signed between the Government of Sudan (GoS) and rebel groups in South Sudan. Eleven years later, after the discovery of oil in the South in 1978 had reignited the conflict between the GoS and the Sudan People's Liberation Movement (SPLM) then led by John Garang (El-Gaili 2004). Under the IGAD's forerunner, the Intergovernmental Authority on Drought and Development (IGADD), Ethiopia launched a peace initiative in Sudan at Addis Ababa summit of 7 September 1993. A Peace Committee made up of the heads of State of Ethiopia, Eritrea, Uganda and Kenya was established. This initiative issued the 1994 Declaration of Principles that identified 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 of the AU and IGAD. IGAD, at the initiative of Ethiopia, promoted the CPA and later worked closely with partners such as the US, the EU and the UN, towards the implementation of the CPA. Ethiopia, as chair of IGAD and through the IGAD Chief Envoy, is still at the forefront in mediating peace in South Sudan.[18]

Ethiopia played a very important role in the establishment and continued work of the AU High-level Implementation Panel (AU HIP), 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 leader 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 the UN as well as the IGAD, the presence of Ethiopia's peacekeeping 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 paved the way for the rapid deployment of UNISFA forces.

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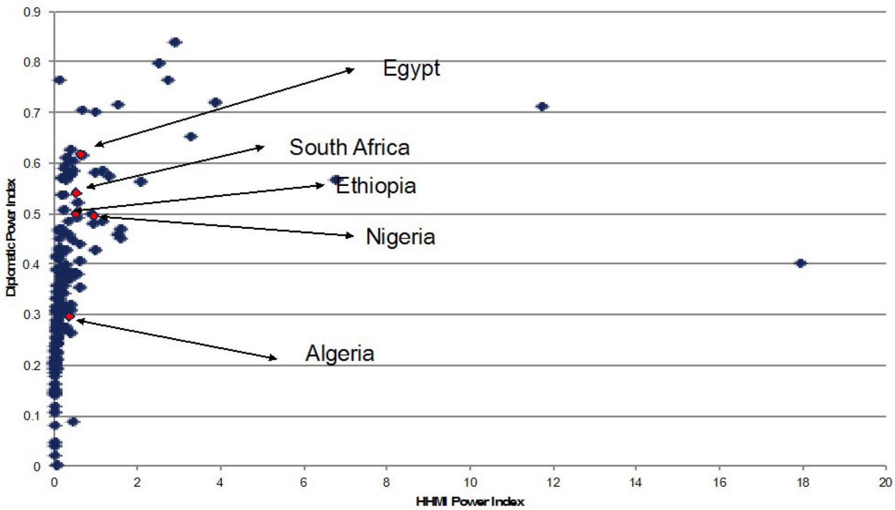
[18] See the website of the IGAD Office of the Special Envoys on South Sudan: *Frequently Asked Questions*, http://southsudan.igad.int/index.php/about-us/f-a-q.

Figure 6 – Diplomatic Power and General Power, 2013



Source: African Futures Project (Institute for Security Studies).

1.4.2 Bilateral Relations: Ethiopia and Its Neighbours

Ethiopia has signed comprehensive cooperation agreements with Somalia, Sudan, Djibouti, Kenya and South Sudan. Ethiopia and Somalia have signed a bilateral agreement that includes common defence and cooperation in countering terrorism and violent extremism (Peppeh 2014). The first in the history of Ethiopia and Somalia, the agreement is extremely significant and may end 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 a mutual legal aid and extradition agreement (Ethiopian MFA 2012). The defence and security cooperation between Ethiopia and Sudan is so strong that some countries perceive it as a threat. In addition to strong collaboration on fighting terrorism in the IGAD region, Ethiopia and Djibouti have established a Joint Ministerial Commission and a Joint Border Commission. Since 1963, Kenya and Ethiopia have had a mutual defense pact, principally aimed at countering the expansionist threat coming from Somalia. Several agreements were signed between the two countries at different times, concerning political, economic, social and military cooperation. With the Special Status Agreement of 2014, Ethiopia and Kenya decided to promote their cooperation further (Ethiopian MFA 2014). In addition, Emperor Haile Selassie and President Jomo Kenyatta actively supported visa-free mobility between Kenya and Ethiopia. Ethiopia has enjoyed strong security collaboration with Yemen since October 1999, immediately following the Ethio-Eritrean war, and a similar agreement has been signed with Nigeria (Ashenafi 2014).

1.4.3 The Integrative Role of Ethiopia

Ethiopia's central location has allowed it to become a hub of regional integration and it is now leading in supporting integrative infrastructural developments, particularly hydroelectric power. Aiming to expand the current hydropower production by 2,000 percent, with the support of the African Development Bank (AfDB), Ethiopia plans to invest 12 billion dollars in the next 25 years to increase its overall hydropower to 40,000 MW (Ethiopian MFA 2013). It currently exports 100 MW of electric power to Sudan and 34-40 MW to Djibouti (Tekleberhan 2012). Since January 2013, Ethiopia has been exporting 400 MW to Kenya. A project on an East African power pool that will connect Kenya, Rwanda, Uganda, Burundi and DRC is also in the pipeline. Under the Regional Transport Infrastructure Development Initiatives, IGAD and the member States intend to build 7,000 km of road and railway in the next five years.[19] This includes 4,000 km 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 and 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 that facilitates more than 90 percent of the country's imports, exports and related services through the port.[20] In re-

[19] See the IGAD website: http://igad.int/index.php?option=com_content&view=category&id=69&Itemid=187.

[20] Ibid.

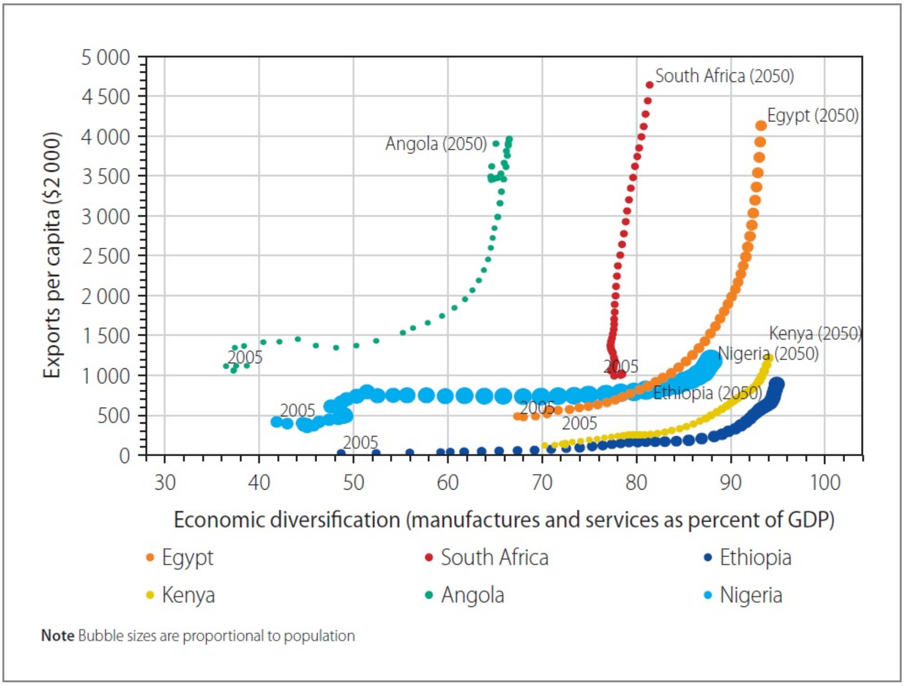
turn, Djibouti depends on Ethiopia for some fresh food goods, electricity and water supplies (Geda 2014). Djibouti, the first country in the region to buy electric power from Ethiopia, has received 405 MW of electric power from Ethiopia for 28 million dollars per annum since the beginning of May 2011. The trade volume between Sudan and Ethiopia reached 322 million dollars in 2011, showing 27 percent annual growth. Ethiopia also exports 100 MW to Sudan, and the near future will export 400 MW to Kenya (World Bank 2013). Nevertheless, the volume of Ethiopia's trade with Kenya still remains a dismal 60 million dollars, with only 4.3 million dollars worth of Ethiopian exports to that country. Similarly, Ethiopian trade with South Sudan remains informal, cross-border and small in size (AfDB 2013). In a bid to enhance regional trade, plans exist to construct rail links between Ethiopian cities and extending to Djibouti, Sudan, South Sudan and Kenya.

These integrative efforts and opportunities may in the long-term contribute to the peace dividend through the creation of a middle class and economic interdependence among countries.

1.5 TRENDS: REFORM OUTPACING CRISIS? OR CRISIS OUTPACING REFORM?

Over the past decade, Ethiopia has registered anywhere from 9 to 11 percent growth annually, depending on the source of information – a remarkable accomplishment by any measure, whichever of these figures is accepted. Several future studies on Ethiopia forecast a GDP growth of more than 8 percent per annum over the next five years and even, if political stability continues, for the next 40 years. The country's GDP will also redouble. According to the Economist Intelligence Unit forecast, in 2011-15 Ethiopia will be the third-fastest growing country in the world, right behind China and India (Economist 2011). Under the Government's extraordinarily ambitious Growth and Transformation Plan (GTP) for these years, a real GDP growth rate of 11 percent is projected under the base-case scenario, with the more optimistic scenario anticipating appreciably higher rates.

Figure 7 – Economic Diversification (forecast)

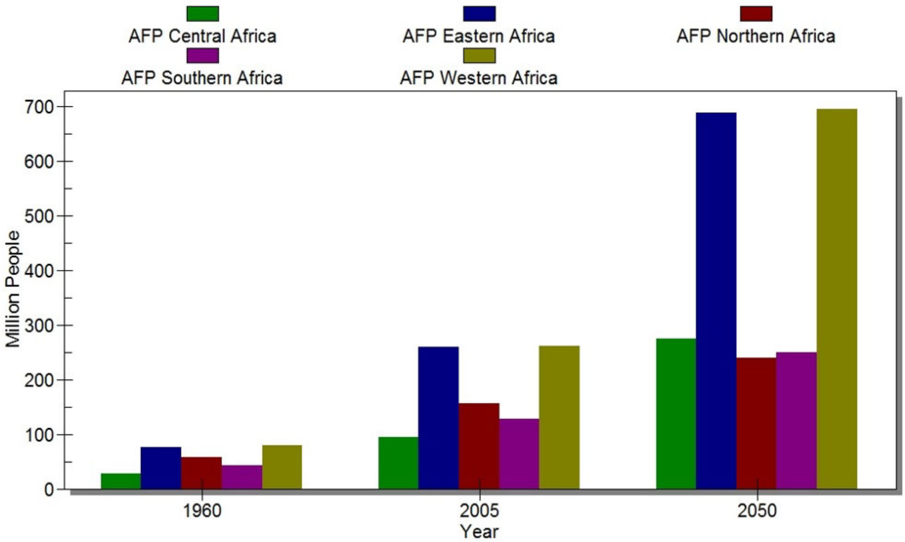


Source: Cilliers et al. (2011), p. 35.

Significantly, pro-poor policies in agriculture, rural road infrastructure, health and education have led to notable improvements in livelihood. 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.

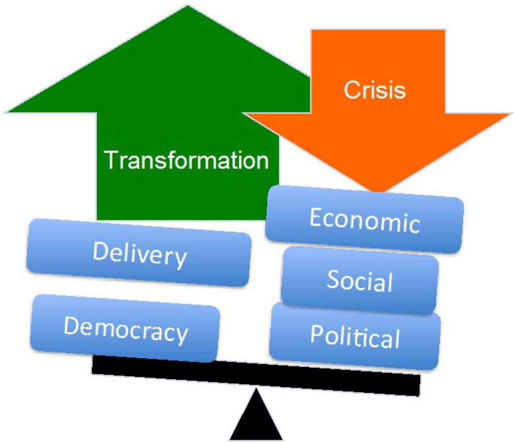
At the same time, the population of Ethiopia is expected to exceed 138 million in the next 15 years (UNDESA 2015a), with an urbanised population of 26.8 percent, as compared to today's figure of 19 percent (UNDESA 2015b:48, 68). More than 55 percent of this population will be at a relatively young age (below 20 years) (UNDESA 2015a). 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. These advancements could be triggers and accelerators of development as they could also facilitate resistance to repression by government or other forces.

Figure 8 – Population Growth (forecast)



Source: African Futures Project (Institute for Security Studies).

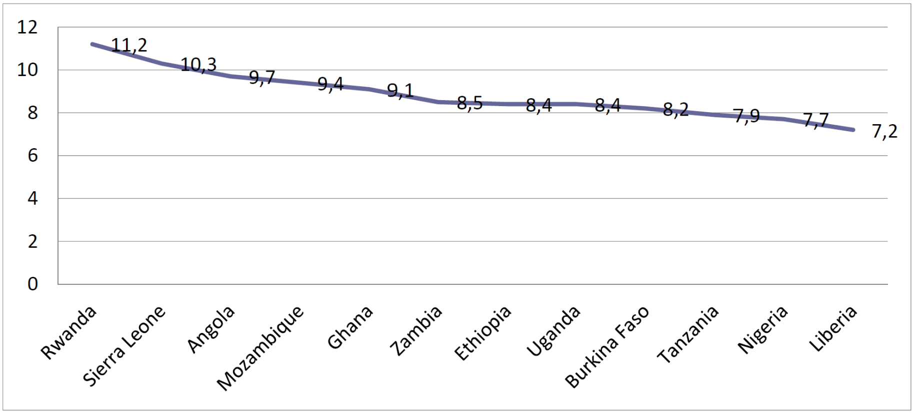
Figure 9 – Critical Internal Threats for the Future



Source: Author's presentation to the IGAD Regional Consultative Process, 12-14 November 2012.

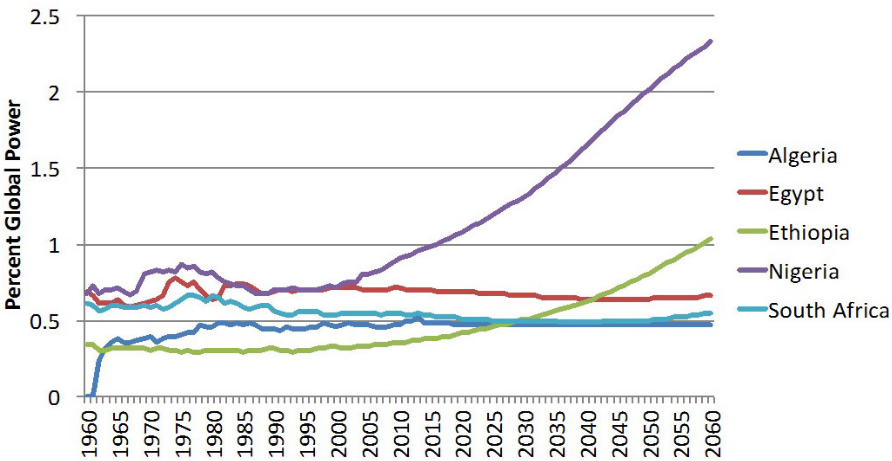
Nevertheless, with these positive mega-trends, there are also negative developments. With an increasingly highly connected, conversant, mobile and vocal unemployed young Ethiopian demography, social unrest may also increase. The shortage of fresh water, gaps between supply and demand for energy and electricity, and income gaps may contribute to social unrest and increase the vulnerability of communities to extremist ideologies, international crime and transnational threats. While violence could be increasingly localised, its impact will be global with transnational implications such as organised crime and displacement of populations. The main question therefore is: Will reform outpace crisis? Or will crisis outpace reform?

Figure 10 – Average Economic Growth for the Next 40 Years



Source: African Futures Project (Institute for Security Studies).

Figure 11 – Ethiopia's Future: One of the "Big Five" African Countries

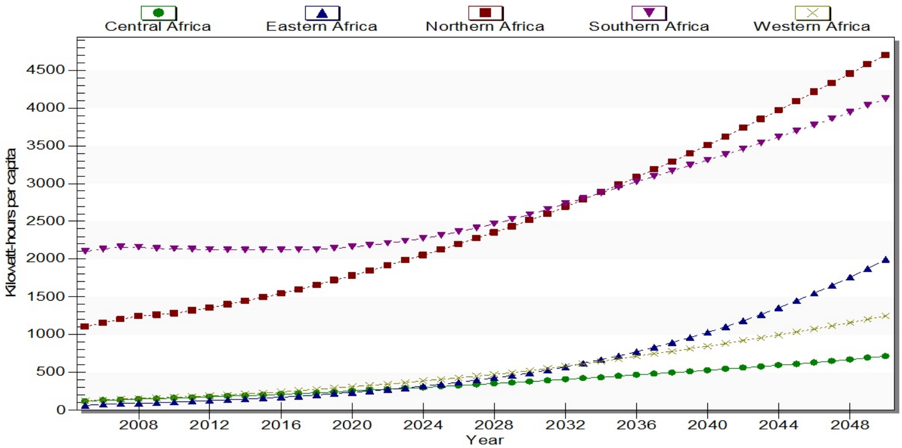


Source: African Futures Project (Institute for Security Studies).

1.5.1 The Security Nexus: Climate Change, Water, Food and Energy Security

Ethiopia's seemingly unstoppable growth is not without risks. Its economy is highly vulnerable to external shocks on two separate counts. The livelihood of 85 percent 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 faces extreme climatic conditions – often causing drought but sometimes also floods. While the Basin hosts tens of millions of people who face frequent famine and undernourishment, more than 80 percent of irrigable land (apart from Egypt and Sudan) is being left unproductive. While the Basin currently exhibits a 90 percent unutilised potential for hydroelectric power generation (RedPepper 2014), 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. Ethiopia, a non-oil producing country, also remains highly dependent on oil imports, and is vulnerable to variations 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 solution. This also relates to trans-boundary resource use, such as use of the Nile River for energy and irrigation. With these trends, demands for drinking water, agriculture, sanitation, industrial development and production of hydroelectricity will increase further. In recognition of these trends, food, water and energy security top national agendas of Nile riparian countries. Depending on the governments of these countries, the Nile could be either a bridge or a barrier (Maru 2013). Public demand for governance reform and delivery of basic 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 vulnerability of communities to extremists' national and religious ideologies, international crime and transnational threats. Crises that outpace transformation will inhibit stable governance and peaceful relations between the Nile riparian States.

Figure 12 – Access to Electric Power



Source: African Futures Project (Institute for Security Studies).

CONCLUSIONS

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. Although successful in dismantling the old unitary State of Ethiopia, the EPRDF is still struggling for a clear vision around which Ethiopia and its diverse people can rally. Dominating the political space for two decades, the EPRDF has been striving to build a new federal developmental State. What is more, the country's recent successes have come with a price. Public-investment-driven growth has marginalised the role of the private sector in the national economy, reducing the space for 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 in Africa. The opening of opportunities for education, especially higher education, has not been met with job opportunities for a better educated youth. From 1995 to 2009, total primary school enrolment rose by a staggering 500 percent (from 3 million to 15.5 million) (Engel and Rose 2011:7). 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, corruption also remains an invasive social ill that could undermine Ethiopia's development (Transparency Ethiopia 2009). Infrastructure development, land administration, procurement, judiciary, enforcement and other organs of the State and government are the most corrupted (Tsegaye 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. However, given that constitutional accountability is weak under the dominant party, and the only existing accountability is intraparty, the EPRDF may not be able to combat corruption effectively. To put it under control, corruption will require a cutthroat struggle. If not combated swiftly and effectively, corruption could easily become the most fatal political gangrene for the legitimacy of the ruling party.

In spite of all the country's progress (World Bank 2015), 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 have been public sector investment and public service reforms. Both have their limits in terms of bringing about economic transformation.

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 economy surge, and demand for consumption increases. The private sector will be vital in contributing towards bringing this transformation.

Regional priorities in the area of peace and security are: (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 are vulnerable to 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. The external context, 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 the expected expansion of the middle class (Heeralall and Ben Abdelkrim 2012) and a market fuelled by a 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.

This chapter has discussed the following six factors as the basis for Ethiopia's contribution towards 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's trusted mediator role in IGAD and at the AU level; (5) Ethiopia's role in combating terrorism and its strong counterterrorism capabilities; and (6) a Pan-Africanist historical legacy and Ethiopia's increased and effective use of multilateral platforms. On a global level, Ethiopia's overlapping interests with dominant and emerging powers such as the US, the EU, China and India, its geographic location, and traditionally strong military create demands for long-term partnership and alliance. International actors including the UN, EU, US, 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 advantage of several entry points at the national and regional (IGAD and AU) levels.

- *Capacitate the State in developmental delivery*. At the national level, given that extreme poverty will remain the most formidable socio-economic, governance and security challenge, the international community including the EU and the US should strengthen its support for the developmental efforts of Ethiopia. Ethiopia has developed the necessary normative, institutional and collaborative framework for poverty eradication and development. The predictive, preventive, responsive and adaptive capacity of Ethiopia is certainly a function of resilience to vulnerabilities to internal and external factors and shocks. Ethiopia's fight against poverty would also contribute to strengthening sustainable peace and security.
- *Calibrating delivery and democracy: engage both State and non-State actors*. In engaging Ethiopia, external partners like the EU and US need to craft a creative strategy that calibrates the EPRDF's strength on service delivery and its weakness in democratic governance. Within jointly agreed parameters for mutual accountability between development partners and the Ethiopian government, the EU and US could work with the government towards expanding democratic space while increasing their support to further build the developmental capacity of the State.
- *Assist in the prevention of election-related violence*. In order to avoid election-related violence like that of 2005, the EU and the US need to identify and assist drivers of democratisation in the country and work with them on expanding the space for political and democratic dispensation. These include Ethiopian democratic institutions such

election boards and the judiciary, as well as the police and the armed forces. In so doing, external partners need to work within existing regional and continental mechanisms such as IGAD and the AU, the 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. The professional impartiality, public accountability and institutional independence and strength of Election Management Bodies and other bodies such as the police, military and security forces must also be increased. By targeting actors at the sub-State level including the security sector, election management bodies, internal dynamics of social mobilisations and political parties, the EU and the US could help in bringing sustainable change to both State and non-State actors.

- *Democratic constitutionalism: through an empowered democratic citizenry*. An empowered democratic citizenry is key to increasing the accountability of officials through constitutional democratic institutions. Ultimately building human rights-protective federalism would depend on empowered citizenship rather than sectarianism. Striking the balance between the forces of unity and diversity, Ethiopia should spend its resources on building progressive federalism with an integrative and human-rights-protective agenda. In this regard the federal government has to make sure that Chapter 3 of the Federal Constitution (on human and democratic rights, both individual and group rights) is observed by all State and non-State actors. In ethnically heterogeneous regional states with no dominant ethnocultural community (such as Gambela and SNNPR), closer constitutional supervision is necessary to ensure respect of the two aspects of federative constitution.
- *Ethiopian peace and security capabilities: building predictive and preventive capacities*. Through a strong reliance on political indoctrination, mobilisation and developmental delivery of services, Ethiopia has managed to avoid violent extremism and narrow down the space for insurgency and terrorism. In addition to historical and cultural legacies against foreign attempts to destabilise the country, the federal system of Ethiopia has made the country less prone to violent extremism and enabled it to be more effective in responding to

and preventing terrorist attacks. However, the weaknesses to this approach show in two major areas: first in messaging and alternative narration, and second in the absence of predictive and limited preventive capabilities. The EU and the US could help Ethiopia strengthen the predictive and preventive capabilities of its peace and security apparatus. Lacking the understanding, the will and the capability to create credible voices, messages and narratives (both modern and traditional) that counter radicalisation, alternative narratives of hope are yet to be developed.

- *Diplomatic and financial support to Ethiopia's regional role in peace and development*. Considering Ethiopia's pivotal role for regional peace and security and its diplomatic responsibility to ensure various regional and global interests, EU and US support should not be limited to finance but should also extend to diplomacy. A key area of diplomatic support includes efforts to pressure the Eritrean regime to respect peaceful resolution of border disputes, support the transformational change in the Nile Basin Initiative, and support Ethiopia's efforts in IGAD and the AU for the mediation within and between the two Sudans, and for peace in Somalia. Lastly, the EU and US could assist Ethiopia in enhancing its integrative role in the region by supporting the country's various infrastructural and energy projects.
- *Assist in shift of focus: from intervention to prevention*. Currently, both IGAD and the AU experience a gap between their normative treaties and policy frameworks on the one hand, and the implementation of these on the other. Implementation of the existing legal and policy frameworks should take priority. Progress in the implementation of existing policies will ultimately determine whether IGAD, the AU and their member States like Ethiopia can ensure the human security of their population. For Ethiopia and other IGAD member States with grave economic challenges and meagre financial resources, prevention should take primacy over intervention. In this regard, the EU and US should continue to support existing institutions such as the AU and IGAD with a focus on early warning and early effective response. Actors at the sub-State level including democratising actors in the National Peace and Security Architecture,

electoral management bodies, internal dynamics of social mobilisation and political parties can also contribute to promote a political context that is constructive and accountable to the public. In this regard, the EU and the US could play a critical role in building national and regional capabilities for effective prevention and timely response to crises.

- *Climate change-security nexus: integrating climate, food, water and energy security into early warning and response mechanisms*. Early warning mechanisms are also needed to tackle climate, weather and environmental change-related threats to human security within the IGAD Conflict Early Warning and Response Mechanism. While improving the predictive capacity to anticipate the impact of climate change, it is also important to work on identifying the most vulnerable water basin areas to ensure adaptive responses. 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 as well as in the climate change-security nexus.

2.

A Case Study of Mozambique

Paulo Mateus Wache

Public-private[1] relations in the fields of socio-economic development, democratic governance and peace and security are complex in Mozambique because they are deeply rooted in the history of the country. Several factors make Mozambique a case study worthy of investigation. They are: (1) the fact that Mozambique has been growing continuously for twenty years, and in the last ten years registering an average growth of 7.5 percent, (2) the fact that Mozambique has maintained peace for over twenty years, despite some localised pockets of instability, and (3) the fact that it is a country with great potential in terms of strategic energy resources such as coal, natural gas and oil. In addition, (4) Mozambique is a country that is increasingly attracting foreign direct investments (FDI) and (5) where public-private relationships are steadily consolidating.

This study is divided into four sections. The first section presents a historical summary of Mozambique's 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 tran-

[1] The public sector is composed of all entities controlled or owned by the government. It includes non-market-oriented institutions that offer public services (Ministries, Municipalities) as well as market-oriented entities such as public companies, municipal companies and other economic units where 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, businesses or other activities that produce economic or financial profits.

sition period which marked the beginning of coordination between public and private sectors; and the period of consolidation of public-private coordination. The third section analyses the relationship between private sector and democratic governance using the indicators of good governance as presented by Kaufmann et al. (2010:4). The fourth section discusses the relationship between private sector and security. The study summarises its findings in the concluding section.

2.1 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 Liberation Front of Mozambique (*Frente de Libertação de Moçambique*, FRELIMO) adopted socialism as a governance system. The socialist approach became consolidated in 1977, when FRELIMO met in the third Congress. The choice of socialism as the State's ideology was motivated by several factors linked to the international system, the southern Africa region and domestic considerations.

When Mozambique became independent, the world was dominated by the Cold War which saw the West led by the United States (US) 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 Organisation (NATO), had prevented FRELIMO from getting substantial support from the West during the liberation struggle (1964-74). 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 – effectively supported 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 peoples who remained under colonial rule; for instance, Tanzania, Zambia and Algeria were decisive in supporting the struggle for Mozambique's independence. Therefore, Cold War dynamics in the international system created the conditions for Mozambique's decision to adopt socialism as the dominant ideology of the newly independent State.

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 Organisation (SWAPO), the African National Congress (ANC) and the People's Movement for the Liberation of Angola (*Movimento Popular de Libertação de Angola*, MPLA) were socialist. In positioning itself regionally, FRELIMO made a strategic choice in favour of socialism in order to cooperate with other regional liberation movements.[2]

At the domestic level, during the armed struggle (1964-74) FRELIMO was able to test the socialist model in the liberated areas. This gave confidence to its leaders for the implementation of socialism at the national level in the post-independence People's Republic of Mozambique. This choice was also determined by a willingness to mark a clear cut with the capitalist/imperialist negative colonial experience. From very early on, the destabilisation war (1976-92) carried out by the Mozambique National Resistance (*Resisténcia Nacional de Moçambique*, RENAMO) with support from Ian Douglas Smith and the apartheid regime of South Africa (Mosca 2005:146) created challenges to the FRELIMO socialist government. These were worsened by the waning of the USSR's support from the early 1980s. The need to obtain financial assistance prompted

[2] FRELIMO became a socialist party in 1977 as result of a Third Congress decision, despite the fact that Mozambique had been socialist since its independence in 1975.

FRELIMO to rethink Mozambique's socialist system and to 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, announced that Mozambique would join the World Bank, the USSR and East Germany treated this choice as a betrayal and interdicted Mozambique's accession to the Council for Mutual Economic Assistance (CMEA), an economic organisation led by the USSR (Veloso 2006:196). The government of Mozambique had to normalise its relations with the West in order to get assistance, and took a number of diplomatic initiatives such as (1) signing the Nkomati Accord with the Republic of South Africa in 1984, (2) entering the Lomé Convention III in 1984 and (3) conducting official visits to the West, such as President Samora Machel's visit to the US 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 Programme and to an ideological shift of the Mozambican State. The adoption of a 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, without shifts in the ideological orientation.

2.2 PUBLIC-PRIVATE SECTOR RELATIONS

The transformation of public-private relations in the Mozambican economy evolved over three different periods. Between 1975 and 1990 the private sector was neglected by the State, which did not provide financial assistance or develop economic policies in its favour. In contrast, companies and production units managed by the State, which were the majority, received public financial support with the only exception of small farmers, who continued to produce until 1981 without direct State support. As the war of destabilisation intensified, 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 privatisation process and a greater awareness of the private sector, which in 1995 started to organise annual conferences that later became institutionalised public-private dialogue mechanisms. As the public sector became more open, the private sector slowly became a partner in the development of the country.

From the year 2000, coordination between the public and private economic actors was consolidated as platforms of dialogue were established in conjunction with 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, FDI also grew, further strengthening the role of the private sector in national economic development. The holdings of the State in "mega-projects"[3] also contributed to reinforce the interaction between the public and the private sector. 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. It is in this context of increasing coordination that the private sector is asking that the focal-point of the dialogue should be the Prime Minister or the President of the Republic.

2.2.1 Prevalence of Public Sector over Private Sector (1975-1990)

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

In relation to nationalisation, Mosca (2005:148) states that

[3] Public-private capital-intensive companies.

> 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.

In practice nationalisation meant the empowerment of the public sector as a strategy aimed at "destroying" the colonial State apparatus and building up social equality. In rural areas, the government established "cooperatives"[4] and communal villages as forms of production and organised life for the rural population against private property and rural dispersion.

The nationalisations affected mainly the urban economy and contributed to the departure of Portuguese entrepreneurs largely due to fear of governmental reprisals. According to Abrahamsson and Nilsson, almost 185,000 Portuguese, out of 200,000, returned to Portugal (Abrahamsson and Nilson 1994:37). This meant that both entrepreneurs and skilled labour that ensured the functioning of the colonial economy were no longer operating in Mozambique and many companies were abandoned.

Desertion, uneconomical decisions and sabotage of companies by the departing Portuguese business community forced the State to intervene in the industrial, commercial and agricultural sectors, 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).

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

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

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 market system, because the SOEs were buying products from the private sector. Such was the case for the small farmers who used to sell their products to Agricom.[5] But the great challenge of the private sector was that the prices were not market-based but were set by the Ministry of Industry and Trade.

In 1980s the Mozambican government recognised that it could no longer manage small business. As stated by Samora Machel:

> 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, and to private traders. Some should be closed if there is no owner to rent them out, 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 and with the completion of major projects of development.[6]

The decision to 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 busi-

[5] State-owned company for runoff and agricultural marketing.

[6] Samora Machel speech on "*Ofensiva política e organizacional*" delivered at Independence Square (Maputo) on 18 March 1980 (RM Audio).

nesses in recognition of its role in promoting economic development, even if only small traders were concerned at first.

During the period from 1975 to 1990, the Mozambican government designed programmes and economic plans to respond to the country's economic challenges. Among these were the Emergency Programme of 1976, whose main objective was to present to the international community the financial need to tackle the economic crisis originated by floods, and the closure of the border with Southern Rhodesia. Implementation of the Central State Plan of 1978 was controlled by the State and State Owned Enterprises. These programmes and plans prioritised the collective production sectors, neglecting the private sector. Results were positive, as evidenced by the fact that during the period between 1975 and 1981 production levels were maintained, and even registered an 83 percent increase from 1977 to 1981 (Abrahamsson and Nilson 1994:34).

A Prospective Indicative Plan (1980-90) with a set of economic and social goals to build a prosperous socialist State was also adopted. However, as the destabilisation war intensified, the economy began to suffer. In 1983 the government drafted the Economic Action Programme to counteract the downward economic trend, with no real success. A few years later (January 1987), the government introduced the Economic Rehabilitation Programme (ERP) in an attempt to improve the critical situation, and the same year it 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 prioritised.

During the 1980s, privatisation or private sector expansion was slow and insignificant (Mosca 2005:177), and concerned mainly the small and medium enterprises in transport, trade, hostelry, agriculture and industry. The ERP marked the initial phase of the establishment of the market economy. In 1989, the Mozambican government introduced the Economic and Social Rehabilitation Programme (ESRP), a comprehensive program that took into account the social dimensions of economic rehabilitation.[7]

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[7] The social dimension of this programme aimed to reduce absolute poverty, paying more attention to social sectors such as education, health and food for the population.

Subsequent economic plans and programmes largely failed due to the war of destabilisation that destroyed economic and social infrastructures and caused the massive displacement of people. Some moved to urban centres where they swelled the ranks of the unemployed, and others became refugees in neighbouring countries. In fact the war of destabilisation collapsed the rural economy and prevented any prospects of development of the private sector.

2.2.2 Transition Period (1990-2000)

The 1990 constitution is an essential milestone of the political and economic transition of Mozambique. Politically, it introduced the multiparty system and liberal democracy instead of the single party and socialist democracy. Economically, it formalised the changes that had been in progress since 1984, moving from a centrally planned economy to a market economy.

The differences between the 1975 and 1990 constitutions regarding the State's role in the economy seems clear. While Article 9 of the 1975 Constitution described the State as the promoter of economic planning, Article 41 of the 1990 Constitution represents the State as regulator and promoter of economic growth and social development. As a consequence, the 1990 Constitution opened up the space for the private sector to play a greater role in the economic development of the country.

Adoption of the 1990 Constitution and pressure from the Bretton Woods institutions led to the approval of Law No. 15 of 3 August 1991. This law established the general principles that would guide the privatisation process and transfer of enterprises, buildings and properties owned by the State to the private sector (Samussone 2014:74). Looking at the economic transformations of Mozambique in the 1990s, Castel-Branco et al. (2001) argue that privatisation together with liberalisation 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 privatisation gained momentum with the end of the war of destabilisation and the entry into power of a democratically elected government in 1994. The effects of privatisation were different in each case. For example, while the Company for Construction and Maintenance of Roads and Bridges (ECMP) ended up bankrupt, laying off its workers, other companies like CETA[8] adapted to market requirements and remained viable. Despite these differences, since 1993 the Mozambican economy has grown at about 8 percent per year, with a brief decline in 2000 due to widespread floods (APRM 2010:70).

Public-private consultations began to be organised with the first conference of the private sector held in 1995, which later became the Annual Conference of the Private Sector, together with the Private Sector Working Groups (PSWG) which is the main consultation mechanism.

The transition period was also marked by efforts to attract foreign direct investments. The investment law (Law No. 3 of 24 June 1993) allowed the creation in 1998 of Mozal, an aluminium smelting plant located in Maputo province (Wache 2008:3). Mozal represented the promising start of the FDI efforts that in subsequent years were to become established in Mozambique. The company's shareholders are BHP Billiton with 47 percent, Mitsubishi Corporation with 25 percent and International Development Corporation with 24 percent and the Government of the Republic of Mozambique with 4 percent (Wache 2008:3). However, with the appearance of multinational corporations it is increasingly difficult to distinguish between the public and private sectors since the government becomes a shareholder of companies that would be considered private by nature.

2.2.3 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 aluminium, an operation that galvanised the small and medium companies contracted to provide services, especially transport, cleaning and feeding; and second, because the country was ravaged by floods that destroyed the infrastructure, paralysed economic activities and profoundly affected the

[8] CETA is a construction and maintenance company that operates in the following engineering sectors: roads, structures (bridges, ports, hospitals, schools, housing, buildings, warehouses), geotechnical, environmental, hydraulic and railways.

country's economy. However, in subsequent years the economy recovered its course, registering continuous growth.

Mozambique's economic growth is the result of a peaceful environment associated with (1) the adoption of economic policies, (2) greater public-private coordination, (3) foreign direct investments and (4) international cooperation.

With regard to economic policy the focus is on the Action Plans for the Reduction of Absolute Poverty (*Planos de Acção para a Redução da Pobreza Absoluta*, PARPA) and the establishment of "one-stop service windows" (*Balcões de Atendimento Únicos*). Each plan was applied for five years; thus, PARPA I lasted from 2001 to 2005, PARPA II lasted from 2006 to 2009 and the Poverty Reduction Action Plan (*Plano de Acção para a Redução da Pobreza*, PARP) lasted from 2011 to 2014. PARPA I recognised the central role the private sector plays in the Mozambican economy by stating:

> The present strategy for reducing poverty and fostering economic growth is based on the assumption that private initiative by citizens, families, firms and other institutions, is the engine of development, with the State being responsib[le] for the provision of services and infrastructure that are essential for the realisation of these initiatives (Mozambique 2001:81).

PARPA II reaffirmed the importance of the private sector, arguing that "The benefits to the economy will be felt in terms of a reduction in bureaucracy and an increase in quality, strategic investment in infrastructures, as well as incentives for growth of the private sector" (Mozambique 2006:4). In its turn the PARP states that

> The Strategy for Improving the Business Climate 2008-2012, the Strategy for Development of Small and Medium-Sized Enterprises (SMEs) and the Employment and Vocational Training Strategy constitute the basis for promoting employment by strengthening the private sector (Mozambique 2011:12).

Additionally, a District Development Fund – also known as "seven million"[9] – was set up in 2005, and in 2010 the Government added the Strategic Programme for Urban Poverty Reduction Fund. These funds have served to leverage private finance initiatives in both rural and urban areas. Yet challenges remain as to how best to structure the funds into sources capable of generating employment, especially for youth.

Adoption of the "one-stop service windows" through Decree No. 14 of 30 May 2007 provided for the improvement of 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 consolidation of private companies in Mozambique.

Since 1995 the Confederation of Economic Associations (CTAs) has held fourteen annual conferences of the private sector. These conferences, alongside 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 and Commerce Armando Inroga indicated at the XIII edition of Mozambique's annual private sector conference held on the 8th March 2013 that the government had complied with 80 percent of its targets for business environment reform (CTA and ACIS 2013:5). His comments coincided with the conclusion of the first phase of the Business Environment Improvement Strategy (BEIS) and preparation to implement the second phase as well as the launch of the draft of the National Development Strategy. 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 favourable to investment and to the devel-

[9] This is money given annually to Districts in order to finance local entrepreneurs who have economic initiatives but no funds to implement them. The main objective is to reduce poverty.

> opment of national entrepreneurship, and of the realization of actions in education, health and rural development (CTA and ACIS 2013:23).

This addresses the main concerns of both public and private sectors.

The implementation of the first phase of the BEIS produced on one hand results such as better business environment,[10] increased rate of investments, and greater access to education and health. On other hand, lack of funds prevented the country from improving the quality of services (education, transport, health). It is in this context that the second phase is being implemented.

Foreign direct investments has increasingly helped to boost the private sector and the economy in general. Indeed, since 2000 the economic growth of Mozambique has led to the establishment of "mega-projects" including the Mozal aluminium factory, the resumption of operations in Pande and Temane by Sasol,[11] Moatize coal exploration by Vale Moçambique and Rio Tinto, the exploration of Moma heavy sands by Kenmar, the discovery of large natural gas reserves by ENI and Anadarko in the Rovuma Basin, and more recently, the discovery of oil in the Inhassoro district.

In addition to boosting the 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 for and exploitation of hydrocarbons. For example, ENI paid 530 million dollars in 2013 from the sale of its shares of Area 4 in Rovuma Basin to the Chinese company CNODC Dutch Cooperatief UA (SAPO 2013). However, these capital gains have not yet benefited the small and medium companies and that is why ongoing debates advocate more State assistance to this category of companies.

International cooperation also contributes to enhancing coordination between the public and private sectors. For example Western partners

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[10] The rankings of Doing Business reports show that the business environment is improving; for example Mozambique was ranked as 146 in 2013, as 142 in 2014 and now as 127 in 2015.

[11] Sasol is a South African integrated energy and chemicals company that is exploiting natural gas in Panda and Temane, in the southern region of Mozambique.

from the G19 group, also known as the Programme Aid Partners, are supporting the State budget to contribute to the country's economic growth and consolidation of the private sector. Some of the largest donors are the World Bank, the United States, the European Commission, the United Kingdom and the Netherlands.

However, there is a perception that some funds planned to support development programmes are not delivered efficiently. This is the case for the 10th European Development Fund (EDF) implemented by the EU over five years (2008-13) and the first phase of the Millennium Challenge Account (MCA) from the US, also implemented over five years (2008-13). Mozambique was not able to absorb the EDF during the scheduled time and was not eligible for the second phase of the MCA. In both cases, failure to access the funds had similar causes: (1) complexity of criteria, (2) inability of contracted companies to implement the projects financed by these funds and (3) lack of clear information about the funds.

In any case Mozambique's dependence on foreign aid is reducing significantly. For example, in 2005 the budget dependence was about 48.1 percent but this figure had decreased to 27.9 percent by 2013. Hopefully, Mozambique will become self-sufficient in budgetary terms over the medium term, and the traditional sectors of agriculture and services with help from the booming mining industry may be able to contribute to this end.

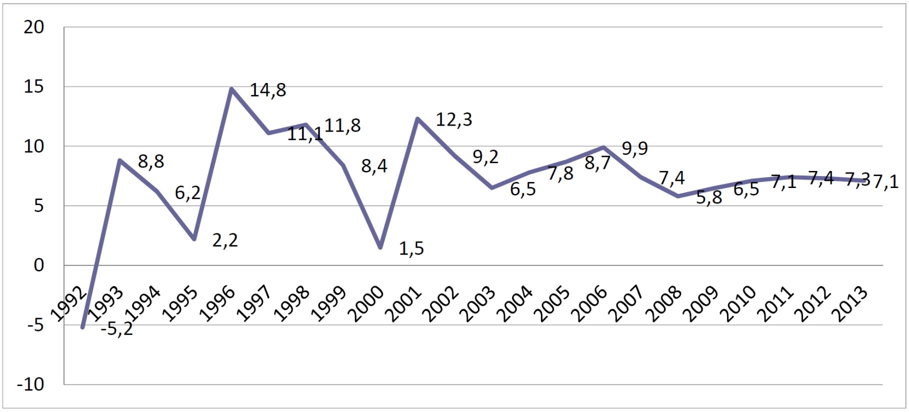
Other international cooperation partners include the prominent emerging economies, mainly China, Brazil and India. In particular, China has been giving concessional loans to Mozambique, for the construction of infrastructure such as roads and bridges that facilitate the activities of the private sector.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

2.3 SOCIO-ECONOMIC DEVELOPMENT

The destabilisation war and the existence of unfriendly regimes in the Cold War historical context led to the institutionalisation of emergency aid as NGOs became very active across the country, although in a relatively disorganised manner at the beginning. As the war ended in 1992, the economy started to recover, as shown in Figure 1.

Economic growth in the 2000s positively affected the national budget and reduced poverty. However, 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 (OECD 2013:10). The perception of stagnation of poverty alleviation does not reflect the reality because the poverty reduction mentioned refers to a period of thirteen years (1997-2010) while the stagnation refers only to a period of two years (2011-13). Thus, the difference of periods under analysis suggests that the conclusion on stagnation should be revised.

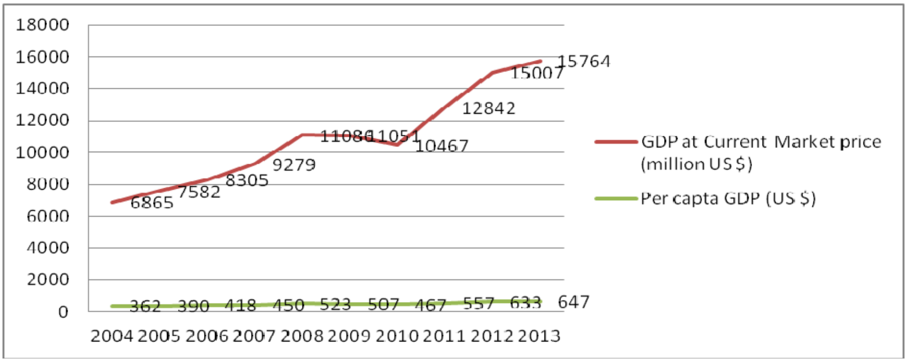
Figure 1 – Annual Percentage GDP Growth in Mozambique, 1992-2013



Source: OECD (2013) and SADC (2014).

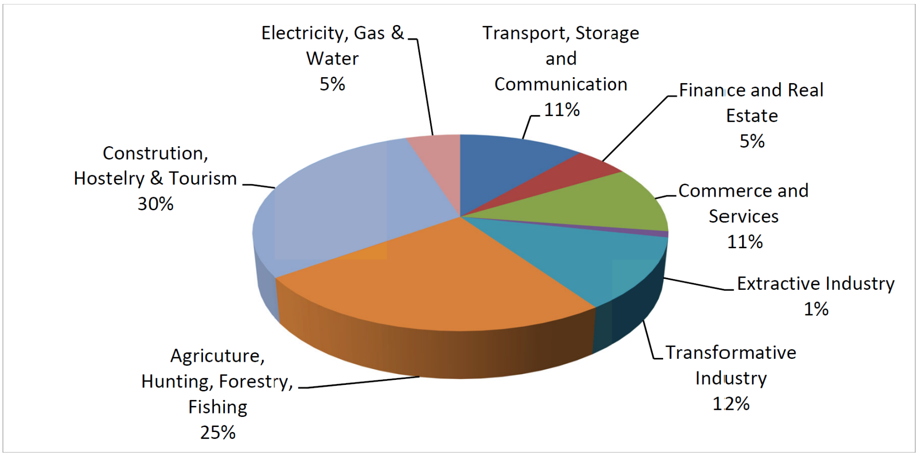
Despite fluctuations in GDP, the overall economic trend in Mozambique indicates a process of steady growth. For example, Mozambique's GDP increased from 6,865 billion dollars in 2004 to 15,764 billion in 2013, an increase of over one hundred percent. Similarly, per capita GDP also grew significantly: from 362 dollars in 2004 to 647 in 2013 (Figure 2). This economic growth has allowed the country to reduce poverty from 69.4 percent in 1997 to 55 percent in 2010. It is important to mention that the GDP is still too insignificant to accelerate development as expected by Mozambican citizens.

Figure 2 – Mozambique GDP at Current Market Price and GDP per Capita, 2004-2013



Source: SADC (2014).

Figure 3 – Mozambique GDP Composition, 2012

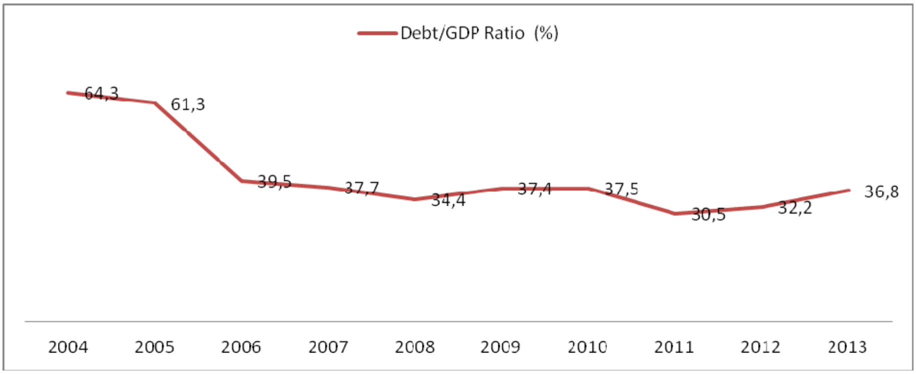


Source: OECD (2013).

A breakdown of sectors that make up the Mozambican GDP shows that the extractive industry is still performing weakly. Surprisingly, the extractive industry sector only contributes to 1 percent of overall GDP

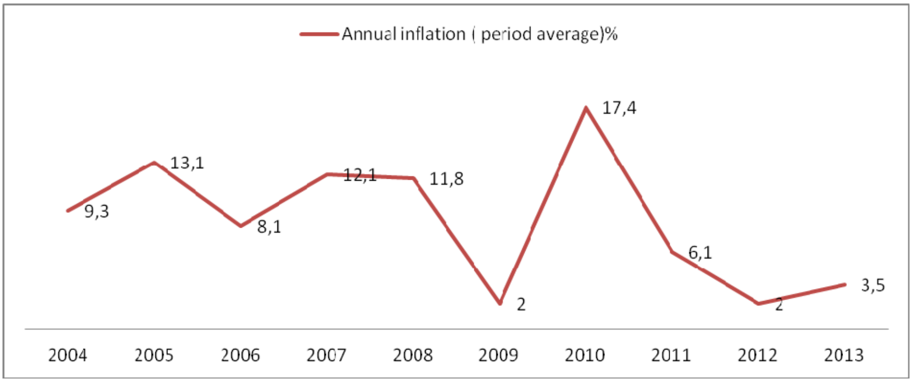
(Figure 3). Data from 2012 show that the largest contribution comes from construction, hostelry and tourism representing 30 percent of GDP followed by industry, agriculture, hunting, forestry and fishing with 25 percent of GDP. With the exploration of natural gas the extractive industry may grow from 2018 with positive effects on the economy and for the State budget, consequently decreasing the dependence on external financing and increasing wealth for Mozambicans.

Figure 4 – Mozambique Debt/GDP Ratio (%), 2004-2013



Source: SADC (2014).

Figure 5 – Annual Inflation Rates (%, period average), 2004-2013

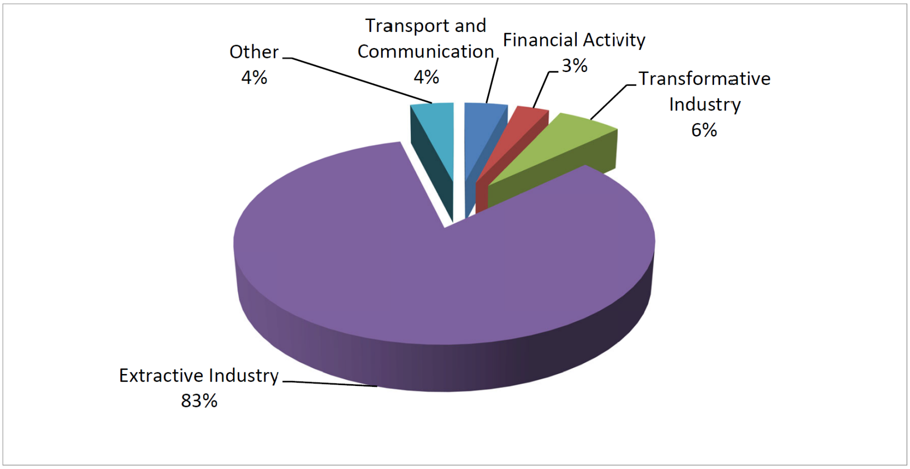


Source: SADC (2014).

The control of public debt and inflation contributes to the sustainability of economic growth in Mozambique. For example the debt-to-GDP ratio has remained below 40 percent since 2006 (Figure 4). Yet inflation and high interest rates persist as a challenge. With regard to inflation, 2010 marked a peak with 17.4 percent, however in 2009 and 2012 inflation decreased to 2 percent. This variation is indicative of some price instability in the Mozambican market (Figure 5).

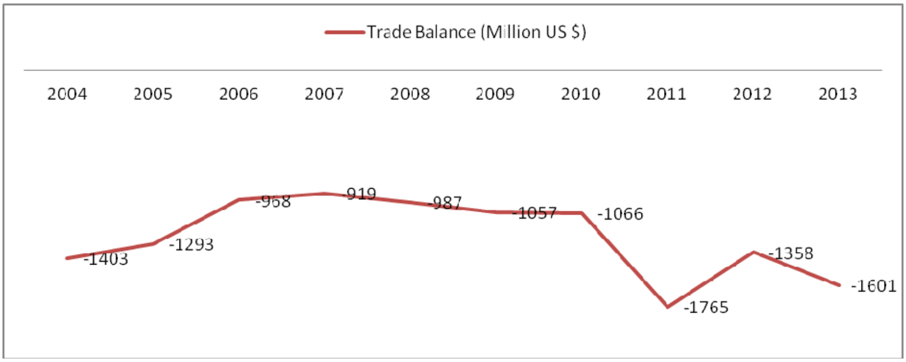
Foreign direct investment has been attracted mainly to the mining industry. In 2011 the extractive industry absorbed 83 percent of the total inflows (Figure 6). The manufacturing industry absorbed 6 percent followed by the transport and communications sectors and financial activities. Other sectors absorbed only 4 percent of FDI.

Figure 6 – Sectorial Composition of Mozambique FDI, 2011



Source: OECD (2013).

Figure 7 – Mozambique Trade Balance (million dollars), 2004-2013



Source: SADC (2014).

The deficit in the trade balance (Figure 7) shows that Mozambique imports more than it exports. This is likely to continue with the development of "mega-projects," as they require the import of expensive machinery. Conversely, Mozambique exports agricultural products such as sugar, tobacco, cotton and cashew nuts that are usually cheaper in the international market.

The deficit scenario may change positively when the export of liquefied natural gas starts in 2018. It should be accompanied by the development of 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.

Analysis of performance of the Mozambican economy shows that the country is growing steadily. The most significant contribution comes from the construction, hostelry, tourism, agriculture, fishing, hunting and forestry sectors, which in 2012 contributed 55 percent of the total GDP. Despite the encouraging results for economic growth, poverty reduction is not progressing, inflation is unstable and interest rates are high (above 20 percent), FDI is focusing on the mining industry and the trade balance is in deficit.

2.4 PRIVATE SECTOR AND DEMOCRATIC GOVERNANCE

According to Kaufmann et al. (2010:4), good governance can be measured by the following key indicators: (1) voice and accountability, (2) political stability and absence of violence, (3) government effectiveness, (4) regulatory quality, (5) rule of law and (6) 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 terms of voice and accountability, the Mozambican government system is now a multi-party 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 (APRM 2010:88). Article 48 of the Constitution, together with the media law (Law No. 18 of 10 August 1991) and the Right to Information Act passed in August 2014, uphold the principles of freedom of expression and provide for participation. The expansion of private media is a visible sign of freedom of expression. Newspapers, television stations and private radio represent a noticeable 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 prominent: the FRELIMO, the RENAMO and the Democratic Movement of Mozambique (*Movimento Democrático de Moçambique*, MDM), all with seats in Parliament. Article 178 of the Constitution provides for separation of powers as well as checks and balances, making the government accountable to Parliament and requiring that the Head of State present a State of the Nation report to Parliament at the end of each year.

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

As for government effectiveness and regulatory quality, some progress has been achieved in the areas of education, health and the rule of law. Statistics 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 and 2014, primary education among the general population increased by 57 percent, secondary education by 197 percent, technical and vocational education by 40.3 percent and higher education by 464.4 percent (Mozambican Presidency 2014:27). This means that more skilled human resources are now at the disposal of the private sector than in the past, allowing companies greater opportunity for growth and development. The number of doctors has more than doubled from 441 in 2005 to 920 in 2014. Similarly, public service has also grown from 2001 to 2014.

The process of decentralisation of powers and deconcentration of competences has accorded greater responsibility to districts and local advisory councils. These councils allow for the participation of citizens in the decision making process at local level, leading to improved governance effectiveness. Although governmental policies have a certain degree of effectiveness, the capacity of central and local institutions should be strengthened, together with the implementation of policies aimed at greater participation and well-being of the people.

Many initiatives have been undertaken by the government in the area of rule of law and control of corruption. The country has 141 prosecutors of which 130 are deployed at the 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 (Mozambican Presidency 2014:52, Paulino 2015:2). The creation of the Ombudsman Office and the National Human Rights Commission in 2012 also shows the importance that the government attaches to the rule of law in Mozambique.

In terms of legality there are positive developments, such 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 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 2015:12). There is also improvement in humane treatment of prisoners through their participation in agricultural and livestock production, education, sports and cultural activities.

However, there are still many challenges to overcome, among them the failure to meet deadlines for preparatory instruction and probation, denial of conditional release for alleged non-payment of claims, and enforcement of arrest mandates without competent orders (Paulino 2015:12). The prisons and police cells are overcrowded, thus degrading the hygiene conditions. Another challenge is the detention in the same cell of prisoners of different age groups and different levels of risk.

The most prominent organised crime networks are involved in drug trafficking, money laundering, car theft, arms trafficking, and 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 (Paulino 2015:12). To date, there is no evidence of a linkage between organised crime networks active in Mozambique and terrorism.

In 2013, the country's criminal networks engaged in a high number of kidnappings in return for large ransoms (Paulino 2015:12). As a result, many businessmen and family members of employees of "megaprojects" left the country. Insecurity caused by abductions and clashes between the government and RENAMO in Sofala province affected the activities of the private sector.

In response to the surge in kidnappings, Parliament approved the Law No. 6 of 5 February 2014, criminalising and punishing the crime of kidnapping, thus giving the courts a key tool in combating it.

In Mozambique the fight against corruption is a major challenge for the promotion of democratic governance. Despite the development of policies, strategies and institutions, available data indicate that the incidence of corruption in Mozambique remains worrying. For example, between April 2013 and April 2014, the courts processed 600 cases concerning corruption and 276 for misappropriation and misuse of funds or property of the State. These relatively high figures show that corruption is a serious threat to Mozambique; yet they also illustrate the commitment of the justice system to fighting it.

2.5 PRIVATE SECTOR AND STABILITY

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

Analysing the instability linked to post-election periods, I argue that the post-election periods in Mozambique have been violent since 1994 when the country organised its first general elections. RENAMO has never accepted the election results as fair, transparent and credible and many people died in November 2000 in Montepuez, and in September 2005 in Mocímboa Praia, when RENAMO organised demonstrations against the results of general election of 1999 and 2004 respectively (Wache 2013:1).

The aftermath of the 2009 elections was particularly unstable and had a general negative impact on the economy and the private sector in particular, since the road that links the north to the south was partially closed by RENAMO soldiers. The attack by RENAMO soldiers on the Vale Moçambique Train, a Brazilian coal mining multinational that operates in Tete province, in April 2014, was seen as a threat to foreign investors. The conflict continued until 5 September 2014, when the 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.

Diplomats from Italy, Portugal, the US, the UK and Botswana were instrumental in facilitating the negotiation process and persuading Dhlakama to sign the declaration. The agreements reached between the conflicting parties 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. In addition, Mozambique enjoys much international support and has invited Portugal, South Africa, Botswana, Cape Verde, the US, Italy, Kenya, the UK and Zimbabwe to send their military experts as observers of the RENAMO disarmament process.

In relation to crime, piracy and kidnapping have been the most concerning issues for the private sector. As regards piracy, the hijacking of the fishing boat Vega 5 on 27 December 2010 led to a decision by the Mozambican government to invest more in maritime security. Agreements were signed with Tanzania and South Africa to coordinate and strengthen enforcement actions and combat piracy in the waters of the Mozambique Channel. In addition, the government purchased patrol boats from France in 2013.

Kidnappings have also concerned the private sector in Mozambique. For example, in 2013 when the abductions peaked, the Rio Tinto coal mining company "asked the families of its foreign employees to leave

Mozambique amid a spate of kidnappings" (AFP 2013). This reaction by Rio Tinto illustrates how instability has affected the private sector. In this instance, however, the situation was controlled and returned to normal a few months later.

CONCLUSIONS

This chapter analysed the public-private relationship in Mozambique in four sections. The first section presented a brief history of the ideological choices that Mozambique has made over time and emphasised its domestic, regional and international context.

The second section assessed the links between public-private sector relations and socio-economic development. Three stages of the evolution of public-private relations were presented: (1) a phase in which the public sector prevailed over the private sector, (2) a transition period and (3) the consolidation of more balanced public-private relations. The section also illustrated the main trends in socio-economic development in Mozambique, by focusing on economic growth, foreign direct investments and the large potential of energy resources such as coal, natural gas and oil. The good economic performance of the country brought a reduction in external financial dependence on traditional partners such as the European Union and its Member States and the United States. Yet, emerging economic powers are playing an important role in financing the construction of infrastructure and providing concessional loans.

The third section addressed the role played by the private sector in democratic governance, using the good governance indicators suggested by Kaufmann et al. (voice and accountability, government effectiveness, regulatory quality, rule of law and control of corruption). The chapter also described policies, strategies and other measures taken by the government in order to promote good governance in Mozambique.

The final section discussed relations between the 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, notably piracy and kidnappings, do generate instability that affects the private sector.

RECOMMENDATIONS

- The Mozambican public and private sectors should increase dialogue with a focus on lowering interest rates in order to encourage lending to private productive activities.
- Given that public-private dialogue channels are being challenged (the private sector thinks the focal point should be 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 strengthen the business environment in the country.
- In a multi-polar world context, it is recommended that the Mozambican public-private sectors diversify their financial partners to avoid the risk of imposition of political, social and cultural values.
- Funds provided by Mozambique's Programme Aid Partners (European Commission, United States and others) could also benefit commercial banks so that they can extend low-interest loans to entrepreneurs and expand the time of repayment.
- The EU and the US should simplify and streamline criteria for access to the EDF and MCA and redesign them in coordination with partner countries in order to make them flexible and more efficient.
- Western partners should eliminate their political conditionality in the provision of funding to developing countries, including Mozambique, or risk becoming irrelevant with the rise of emerging economies with concessional loans, without political conditions.
- Mozambique's position as a rim country makes it vulnerable to organised crime and piracy. The EU and the US should coordinate with the Mozambican government to strengthen the security capabilities of the country.

3.

A Case Study of Nigeria

J. Shola Omotola

Any serious reflection on how to promote stability and development in Africa must pay attention to Nigeria. Demographically, Nigeria has the largest population in the continent, currently estimated to be about 177 million, which is more than half the population of all other West African countries put together. According to the recent rebasing of Nigeria's gross domestic product (GDP) the country is now the largest economy in Africa with an annual GDP of 568 billion dollars.[1] Nigeria also has a fairly robust military capability that is first in the West African sub-region and comparable only to that of South Africa in the continent and with a military spending ranking 6th after Algeria, Angola, South Africa, Morocco and Libya (SIPRI 2015:381-382). Nigeria is also engaged in reputable international organisations like the United Nations (UN), the African Union (AU) and the Economic Community of West African States (ECOWAS). The country's participation in international peacekeeping operations at both the UN and AU levels has demonstrated its willingness and ability to project power regionally and internationally.

Nigeria has immensely benefited from its vast natural resource endowments, particularly oil, from which the country has made substantial 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*, Nigeria had an estimated 37 billion barrels of proven crude oil reserves as of January 2015 – the second largest amount in Africa, after Libya – and produced 1.35 Tcf of dry nat-

[1] World Bank Data: *Nigeria*, 2014, http://data.worldbank.org/country/nigeria.

ural gas in 2013, ranking as the world's top 30 largest natural gas producer (US Energy Information Administration 2015).

With these premises, Nigeria's potential ability to serve as a driver of stability, development and regional integration at the continental and sub-regional levels is beyond doubt. In other words, if Nigeria is stable and developed, it will have positive effect on other African countries and vice versa.

Many serious challenges still lie ahead for Nigeria's full development and stability in such a way that there will be fundamental, but positive transformation in the overall quality of life for the Nigerian people. These include: 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. A recent futuristic study on Africa by the South African-based Institute of Security Studies (ISS) captured the opportunities and challenges of Nigeria to continue to be a key player in Africa's development and stability. As the study concludes, in terms of economic potential, no African country can compete with Nigeria, whose GDP we forecast to expand from 525 billion dollars in 2014 to slightly over 4 trillion dollars by 2040 (Cilliers et al. 2015:7). By 2040 the IFs Base Case forecast is that Nigeria will constitute slightly less than 2 percent of the global economy, up from 0.7 percent in 2014. To a large extent the increase in Africa's role globally will therefore be driven by the future weight of Nigeria – a country that by 2040 will have the fourth largest population in the world after India, China, and the US. Expanded influence could, however, only follow "changes in the current political culture" in "a country that has been embroiled in successive internal wars, the most recent against Boko Haram in the northeast. Signs of drift and loss of influence abound [...] the country does not have a coherent foreign policy" (Cilliers et al. 2015:7).

Over the years, Nigeria's development, like that of most other African countries, has been conducted within a State-centric paradigm, with little or no regard for the potential of non-State actors like businesses and civil society organisations (CSOs) as agents of development. This is no longer sustainable, given the direct and indirect ways in which the private sector can affect the development landscape in its totality, either positively or negatively (Ford 2014, European Commission 2014a and 2014b). The need for adjustment becomes more pertinent, if Nigeria is going to arrest its gradual drift and loss of influence, regain its lost glory and fulfil its enormous potentials (and manifest destiny) in Africa.

The primary objective of this chapter is to explore the possibilities and limitations of Nigeria as a strategic candidate in the promotion of democracy, development and stability in Africa. In doing this, the chapter focuses on the need for and role of cooperation between the public and private sectors in promoting stability and development in Nigeria. The analysis is undertaken in three key areas: socio-economic development, governance and democracy, and peace and security.

3.1 THE PRIVATE SECTOR AND SOCIO-ECONOMIC DEVELOPMENT

Nigeria's socio-economic development has been largely driven by the government through oil economy which is the main asset of Nigeria's economy and provides the main fiscal basis of the Nigerian State. In fact, oil contributes about 80 percent of total government revenue and 95 percent of total exports. However, the government has been unable, for a number of reasons, to efficiently manage oil proceeds so as to facilitate the diversification of the Nigerian economy and the continuing dominance of the oil economy has made Nigeria vulnerable to oil price shocks. Recently, declining global oil prices resulted in a downward revision of the crude oil benchmark from 78 dollars per barrel to 73 dollars per barrel as proposed in the 2015 Medium Term Expenditure Framework (MTEF) (Omotola 2015). This vulnerability,[2] together with structural imbalances and contradictions of balance of trade, among other shortcomings, constitutes part of the danger of a heavy reliance on a mono-economy.

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[2] 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, Anthony-Uko (2014), This Day Live (2014), Udo (2014).

Despite the dominance of the oil economy, however, it is worth noting that the government has also been making efforts not only to diversify the national economy in order to engender a sustainable sectoral restructuring of output, particularly in the non-oil sector (for example agriculture), but also to facilitate the much needed involvement of the private sector, as will be demonstrated shortly, in the promotion of socio-economic development. This has been the case especially since the onset of the country's fledgling democracy in 1999. During this period, a number of policies, including fiscal and monetary, have been put in place to facilitate socio-economic development (FSDH Research 2013, Saliu et al. 2006).

3.1.1 National Policy Initiatives/Interventions for Socio-Economic Development

During President Olusegun Obasanjo's administration (1999-2007), important policy interventions included a number of 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 raise effective demand in the economy, increase the level of productivity and drastically reduce the embarrassing crime wave in the country. In addition 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 development and deregulation of basic services, among others, as well as the banking sector's recapitalisation and consolidation initiative under Professor Soludo's governorship of the Central Bank of Nigeria (CBN).

The administration also introduced the National Economic Empowerment Development Strategy (NEEDS), at both state (SEEDS) and local (LEEDS) government levels. NEEDS rests on four key strategies, including reforming government and institutions. The aim is to restructure, right size, re-professionalise 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, and promote rule of law and strict enforcement of contracts. Another important strategy of NEEDS is to turn the private sector into an engine for growth and wealth creation, employment generation and poverty reduction with the government in an enabler, facilitator and regulator role. 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. As a fourth strategy NEEDS seeks to produce value-reorientation. The emphasis is on anti-corruption measures, fighting against the advance fee fraudsters and striving for greater transparency in public and private financial transactions (Obadan 2001, Nigeria 2004, Soludo 2004, Omotola 2006 and 2008). President Yar'Adua 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 two special interest issues were added: namely the Niger Delta and disadvantaged groups such as ethnic minorities. The Niger Delta Amnesty Programmes (NDAP) were introduced to (1) stop disruptions to oil production; (2) increase government rents; and (3) promote the economic growth and development of the region, with a predominant focus on infrastructural development (Obi and Rustad 2011, LaMonica and Omotola 2013, Eke 2014).

The development agenda of President Goodluck Jonathan was generally known as "transformation agenda." It aimed at the diversification of the Nigerian economy and thereby arresting the heavy reliance on the oil sector. For example, the agenda accorded 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 introduced certain 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 were targeted at rice, sugar, cassava, wheat, cocoa and fertilizers. For their 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 extended to other critical sectors of the economy, including power, petroleum and infrastructure. In the power sector, reform measures were aimed at ensuring a stable power supply by improving the capacity for power generation and distribution across the country. Attempts at privatising these channels have been undermined by excessive corruption, government interference and undue politicisation. If attained, however, a 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 included creating a conducive business environment for the petroleum industry, enhancing the benefit to the Nigerian people from the exploitation of the country's petroleum resources, optimising 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 commercialisation, liberalisation 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). 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 operated outside the purview of government regulations (Nigerian NPC and NISER 2014).

Overall, it is clear that some of the fiscal, monetary and structural reform measures adopted by the various governments since 1999 essentially aimed at improving socio-economic development, with wide latitude for the private sector to play a key role. Whether these interventions have yielded the desired results is open to debate. However, impact analysis of these policy measures, particularly on socio-economic development of the country, as articulated in the next sub-section, offers a lens through which such outcomes could be assessed.

3.1.2 Policy Impact on Private Sector and Socio-Economic Development

The rebasing of Nigeria's GDP in 2013 for the period 1990 to 2010, resulted in an 89 percent increase in the estimated size of the Nigerian economy, reaching a nominal GDP of 510 billion dollars. Also worthy of note is that much of the nominal GDP expansion was not linked to the driving role of the oil sector. The exercise 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 has also been found to have grown (and to be 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 (Nigerian NPC and NISER 2014:xvi).

This attainment is in line with the fairly stable rate of economic growth in the country over time: GDP growth rates at 6.4 percent in 2007, 5.98 in 2008, 6.96 in 2009, 7.98 in 2010 and 7.36 in 2010 (Nigerian National Bureau of Statistics 2012). While oil accounts for about 14 percent of GDP between 2011 and 2014, agriculture accounts for about 40 percent over the same period.[3] Yet, the rate of growth of the non-oil sector is higher than the oil sector, standing at 8.80 percent, 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 percent, 0.01, 1.29 and 1.40, respectively (FSDH Research 2013:5).

The contribution of the private sector to the socio-economic development of the country cannot be overemphasised. The process has been driven by both local and international investors who, despite acute governance and infrastructural deficits, including rising insecurity, unstable power supply and endemic corruption, all of which make doing business in Nigeria an almost impossible task, remain in the country to pursue

[3] Specifically, agriculture's contribution to GDP was 40.19 percent 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 percent, 13.90, 13.08 and 12.18.

their business. In the telecommunications sector, for example, the liberalisation of the telecommunications regime by the Obasanjo administration marked the rise of a number of 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 percent to the Nigerian economy, equivalent to 6.97 trillion naira (44.3 billion dollars) out of the total rebased GDP estimate of 80.22 trillion naira (510 billion dollars) (Isaac 2014).

The agricultural sector has also seen more participation of the private sector, especially from large-scale agro-companies operating in the north like the American Biodiesel Nigeria Limited and International Trans Oil Corporation or the Zimbabwe farmers in the Shonga District of Kwara (Ariyo and Mortimore 2011, Mustapha 2011, Odoemene 2012, Attah 2013). To attract and encourage these commercial farmers the government fostered public-private partnership by facilitating access to land and credit opportunities, and in some instances allocated free lands. It also adopted 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). The government and the commercial farmers sign a Memorandum of Understanding (MoU) on their mutual obligations. For example, in the case of the Zimbabwe farmers in Kwara State, the MoU foresees a responsibility of the Kwara State government to provide (1) suitable land close to River Niger to facilitate year-round farming through irrigation, (2) infrastructure such as roads to access the farms and electricity, (3) access to funds and (4) assistance to the farming enterprises in obtaining a pioneer status from the federal authorities. The commercial farmers, on the other hand, are expected to (1) incorporate each farm enterprise with 80,000 dollars share capital, (2) contribute 1.0 percent of their gross turnover to the community trust fund and (3) provide training at least once a month in the farm training institute in Shonga and later Malete (Ariyo and Mortimore 2011:4).

3.1.3 Despite Growth, Key Concerns and Challenges Abound

While the GDP growth in the non-oil sector is appreciable, there are still concerns regarding the private sector's involvement and its real impact on the 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. The Consumer Protection Council noted that services were mainly characterised by increasing levels 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 (Okwuke 2014). The National Association of Telecoms Subscribers (NATCOMS), a telecoms services consumer rights group, has 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, often paraded as a successful public-private partnership in Nigeria, have been accused of "land grabbing," given that most of the land they were given by the government was wrested 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 main, if not only source of livelihood, thereby generating social tensions and conflict in local communities (Odoemene 2012, Attah2013). The entrenchment of irresponsible patterns of investment by the oil majors in the region contributed to the desecration of the Niger Delta into an environmentally insecure zone. The struggle for oil and environmental justice led to violent conflicts and the proliferation of small arms and light weapons (SALW). 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 (Isumonah 2013, LaMonica and Omotola 2013).

It is, therefore, hardly surprising that concerns have 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 common to the telecommunications sector too 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.

Another key concern has to do with the inability to translate growth into socio-economic development. Despite GDP rebasing and attendant growth, the real economy has not changed in any fundamental sense. Poverty and horizontal inequality, the 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. Despite Nigeria's rebased GDP, its GDP per capita (or per capita income) in 2014 stands at 3,203 dollars compared to Mauritius' 10,005, South Africa's 6,477 and Algeria's 5,498.[4] The nation's external reserve in the Excess Crude Account has been grossly depleted, external debt is rising again and the investment climate is unfavourable due to the high costs of doing business in Nigeria, including endemic corruption and unstable power supply, among others. Overall the unemployment rate in Nigeria was 23.9 percent in 2011, with observable regional disparities ranging from 33 percent in the north-eastern region to about 8 percent in Lagos State. The same year, life expectancy was 51.9 years, with an adult literacy rate of 61.3 percent, compared to 57.7 years life expectancy, and an adult literacy rate of 67 percent for Africa (AfDB 2013 and 2015).

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 key sources of concern. The starting point would be the creation of an investment-friendly environment for the at-

[4] World Bank Data, *GDP per capita (current US$)*, http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

traction and survival of the private sector. The proposal provided by the European Commission for "a stronger role of the private sector in achieving inclusive and sustainable growth in developing countries" offers an adaptable template (European Commission 2014, European Commission DG for International Cooperation and Development 2015).

3.2 THE PRIVATE SECTOR AND GOVERNANCE AND DEMOCRACY

Governance has to do with the "legitimate, transparent, responsible, accountable and efficient exercise of power to manage a country's affairs to the ends of development" (Osaghae and Osaghae 2013). 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.

In the Nigerian context, promoting democratic good governance has been a dominant theme of successive administrations since 1999. Some of the policies to make this happen include the reform of democratic institutions such as the electoral management bodies, namely the Independent National Electoral Commission (INEC), the legislature and the judiciary, as well as the expansion of the political space for civil activism. Some others have focused on 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). These reforms were, in most cases, a response to popular pressure from civil society demands.

Democracy and the search for good governance have a troubled history in Nigeria as successive military regimes (1983-99) manipulated the democratic transition agenda. The Ibrahim Babangida regime (1983-93), for example, conducted a long and expensive democratic transition programme that resulted in the 12 June 1993 Presidential election won by Chief M.K.O. Abiola of the Social Democratic Party. This election was generally seen as the freest and fairest to that time in Nigeria and was expected to cool tensions over ethnic and religious identity issues in Nigerian politics (Diamond et al. 1997). In fact, for the first time the two political parties, the Social Democratic Party (SDP) and the National Republican Convention (NRC), not only featured Muslim candidates for the presidential elections, but their candidacy was widely acceptable to both the Muslim and Christian communities. Still the election was annulled by the Babangida regime.

The annulment set the scene for socio-political movements, and the Babangida regime had little or no option but to settle for an Interim National Government (ING) on 27 August 1993. However the pro-democracy movements demanded a revalidation of the annulled election. When the Lagos High Court ruled that the regime (the ING) was illegal, General Sani Abacha capitalised on the government's legitimacy crisis to seize power.

Abacha abolished all democratic achievements[5] and organised a re-militarisation of the Nigerian State and society. Under his rule, Nigerians experienced unprecedented violations of basic human rights, including freedom of the press. The regime's assaults, including 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[6] activists in November 1995. 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 upheaval, including unprecedented civil protests, that Abacha

[5] Before then 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.

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

died on 8 June 1998, barely two months before his anticipated "election" as president on 7 August.

General Abdulsalami Abubakar, who succeeded him, on assuming office as Head of State on 9 June 1998, announced his commitment to a speedy return to democracy. The pro-democracy and human rights movements, which had become totally radicalised due to Abacha's high-handedness in dealing with them, demanded the formation of a government of national unity to be headed by Chief M.K.O. Abiola. Alternatively, they demanded the termination of 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 only option of abolishing Abacha's transition, the path which he eventually followed when he abolished the whole democratic charade 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 Independent National Electoral Commission (INEC). He also allowed the formation of new political parties, conducted the elections according to a 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 2004).

General Abubakar transition lasted only 10 months. This was due largely to heightened domestic discontent and pressure by CSOs like the Campaign for Democracy (CD), the National Democratic Coalition (NADECO), the Civil Liberties Organisation (CLO) and a host of others. 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 democratic order.

3.2.1 Selected CSOs and the Promotion of Governance and Democracy

Since the inception of democracy in May 1999, the focus has been on its consolidation and the promotion of good governance, resulting in the rapid expansion of CSOs. In the sphere 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 efforts to promote democracy revolve around capacity building for political parties and legislatures at various levels; financial and technical assistance to the 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 a crucial role. These include the EU Election Observer Mission (EUEOM), the Commonwealth Observer Team (COT), the African Union Monitoring Group (AUMG) and the Economic Community of West African States (ECOWAS) Monitoring Groups, among others. Other CSOs 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.[7]

On three specific occasions CSOs intervened to protect democracy. The first was the 2006 third-term agenda, when then President Olusegun Obasanjo attempted to elongate his tenure of office beyond the statutorily permitted two terms of four years each. However, his plan failed as a result of public opposition, which was championed mainly, but not exclusively, by civil society movements, including academia, mass media and democracy activists, who helped to raise popular awareness about the faltering legitimacy of a third term (Omotola 2011b).

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[7] 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).

The second relates to the CSOs' role in the constitutional crisis generated by President Yar'Adua's health condition and eventual death in 2010 (Omotola 2011a). Then President Yar'Adua, seriously ill, was flown to the King Faisal Specialist Hospital in Jeddah, Saudi Arabia, on 23 November 2009. His failure to inform the National Assembly (NA) in writing that he was proceeding on leave for health reasons, as statutorily mandated by Section 145 of the 1999 Nigerian Constitution, generated a serious constitutional crisis. The Vice President Goodluck Jonathan did not step in as Acting President. Instead the presidency was hijacked by a few people in power, and all key players, particularly the Federal Executive Council and the leadership of the NA, exploited the gap for the promotion of personal interests. As it turned out, a new regime of a culture of impunity and gross disrespect for the rule of law had been loosed upon the country.

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 Dr. Tunde Bakare, which salvaged the situation by demanding a timely and correct resolution of the constitutional crisis.

The SNG organised peaceful protests in Abuja, Lagos and Port Harcourt. In a rally on 11 March 2010, the SNG demanded: 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" (Omotola 2011a:243).

The relentless pressure of the SNG and other opposition elements through peaceful protests in major cities across the country, notably Abuja, Lagos and Port Harcourt, decimated the rank and file of the cabal. This was exemplified by attendant polarisation in the Federal Executive Council and the sudden withdrawal of support for an absentee presidency by the Arewa Consultative Forum (ACF), the leading pan-northern socio-political organisation, on 4 May 2010 shortly before the death of Yar'Adua was announced on 6 May. Based on all these arguments, the NA decided to make Jonathan the incoming president.

The third incident relates to the fuel subsidy crisis of January 2012. The government's plan was to deregulate the downstream oil sector, beginning with the total removal of fuel subsidies. Specifically, the government claimed that: (1) the oil subsidy regime was counterproductive; (2) consequently what the government was subsidising was not fuel but corruption; (3) removing subsidy would help undercut the corrupt elite around the previous president; (4) it would also free up more financial resources to develop infrastructures; and (5) failure to do this would lead to the total collapse of the national economy.

Civil society organisations vehemently opposed the government's position and demanded that the government should: (1) deal with the Yar'Adua entourage rather than punish ordinary Nigerians with the inevitable hardship the removal of subsidy would cause; (2) checkmate corruption in the oil sector and bring to justice corrupt individuals; (3) create a conducive environment for deregulation; and (4) repair/build refineries and stop fuel importation.

Despite all these demands, the government removed the fuel subsidy regime on 1 January 2012, announcing a more than 100 percent increment in the pump price of fuel. The removal resulted in a fiasco. Almost spontaneously, Nigerians under various umbrellas, including the Nigerian Labour Congress (NLC), the Save Nigeria Group (SNG), the Joint Action Front (JAF), the 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, using popular culture and humour, with the involvement of musicians of various genres and of comedians, all of which helped to increase the number of participants daily.

As the protests intensified, on 16 January 2012 when the government announced a new price regime of 97 naira (about 0.60 dollars) per litre of oil, following days of intense negotiation with the labour movements, it ordered a heavy deployment of fully armed military troops on major roads and streets, especially in Lagos and Abuja. Nigerians defied the threats and continued the protest. Eventually, the government committed to a downward review of the new price regime.

3.2.2 Despite CSO Mobilisation, Key Concerns about Governance and Democracy Remain

CSOs have been at the forefront of the struggle for democracy and good governance in Nigeria. Despite their discrete success it appears 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 remains a sore point (Orji and Uzodi 2012, Human Right Watch 2011). Analysts forecasted violence also in view of the 2015 elections (CLEEN Foundation 2015). However, this remained relatively contained.

Democratic accountability is weakened by excruciating corruption, impunity and disregard for the rule of law (Omotola 2010 and 2013b, Ojo and Omotola 2014). 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 10 billion naira allegedly spent on a chartered jet. The situation is so bad that the NNPC was found not to be accountable to any institution (Nigerian House of Representatives 2012). That corruption remains a major feature of governance in Nigeria is evidenced by the 2014 Transparency International Corruption Perception Index, which ranked Nigeria 136th out of a total of 175 countries included in the survey.

The 2015 *Ibrahim Index of African Governance* (IIAG), places Nigeria in 39th place out of the 54 African countries assessed, with an average score of 44.9 percent and change of 0.9 percent over a five-year period. Under the report's heading on participation and human rights, Nigeria ranked 22nd for participation; 33th for human rights and 38th for gender balance out of 54 African countries. Under safety and rule of law, Nigeria ranked 28th for rule of law and 31st for accountability. In terms of sustainable economic opportunity, which constitutes a crucial aspect of governance, Nigeria ranked 18th with a score of 51.8 percent for public management; 32nd with a score of 36.0 percent for business environment; 46th with a score of 19.8 percent for infrastructure; and 41st with a score of 40.3 percent for rural sector. With respect to human development, the report shows that Nigeria occupied 23th place with a score of 53.1 percent for human welfare; 32nd with a score of 42.7 percent for education; and 45th with a score of 60.1 percent for health.

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.

3.3 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 recognised. 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 for achieving long-term developmental goals." However, Nigeria seems to be persistently trapped in this strategic interpretation of securities.

Nigeria has been a theatre of instability and insecurity for years. Recently 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 north.

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, especially the political instrumentalisation of ethno-regional identities as a bargaining tool, horizontal inequality, competition for resources and internal contradictions such as fractionalisation and rivalry within ethno-regional and religious formations (see Onwuzuruigbo 2010 and 2011). Such conflicts have had devastating consequences on the lives and livelihoods of thousands of Nigerians and are among the factors explaining the Boko Haram insurgency (Oyeniyi 2014, Omotola 2013a, Onuoha 2010, 2012 and 2013). With several devastating attacks against security formations, including police, prisons, military bases and public infrastructure in major Nigerian cities, the damage caused by Boko Haram, in terms of both human and material resources, is inestimable. Under Goodluck Jonathan's presidency the problem gradually spiralled out of control, 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, was able to stem the tide. In a very telling example, the government was unable to do anything tangible with respect to rescuing the over 200 school students kidnapped by Boko Haram in a public school in Chibok, Borno State, in April 2014. Prospects seem slightly improved in 2015 following the election of President Buhari.

The phenomenon of rural banditry has been another major source of insecurity in the country, affecting the economy negatively. In the first quarter of 2014 alone, 262 persons lost their lives in 15 separate attacks. In Plateau and Kaduna States, 16 attacks were reported during the same period leading to the loss of 139 lives with more 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). 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," including conflict over ownership and access between indigenes (natives) and settlers, 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. The Movement for the Emancipation of the Niger Delta (MEND), which started off as a "rights" movement, turned violent undertaking pipeline vandalism, piracy, kidnapping of oil workers for ransom and oil bunkering, among other acts (Obi and Rustad 2011, LaMonica and Omotola 2013, Oriola et al. 2013).

3.3.1 Public and Private Sector Responses to the Challenge of Peace and Security

Whilst responding to these security issues has been challenging, the government has sought both policy and practical responses. In the case of ethno-regional and religious conflicts, the strategy has been the adoption of institutional devices for promoting balance in government establishments/institutions. The constitutional adoption of secularism and federal character principles (first introduced in the 1979 constitution of Nigeria and retained in all successive constitutions), which sought to ensure fair representation of all groups in public institutions, remains an example. In some specific instances, commissions or 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.

Notable institutional responses to the Niger Delta conflict 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. An ongoing amnesty programme for repentant militants from the region was also launched. The government has also declared a state of emergency in three northern States, namely Adamawa, Borno and Yobe, to enable effective responses to the threats by Boko Haram.

The private sector has also been involved in the search for sustainable peace and security in the country. 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, 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 to 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 been striving despite abiding concerns, to improve their human rights records and corporate social responsibility in their host communities (Aaron 2011 and 2012, Aaron and Patrick 2013).

The implementation of the Global Memorandum of Understanding (GMoU), pioneered by Chevron Nigeria Limited (CNL) in 2005 as a better way of delivering sustainable development to host communities, has been instrumental to promoting positive change (Aaron 2012). The benefit of the model lies in vesting project decision-making and implementation in community institutions such as the Regional Development Boards (RDBs) and Councils (RDCs) for Chevron and the Community Trusts (CTs) and Community Development Boards (CDBs) for Shell. As opposed to the old practice of oil transnational companies entering into Memorandum of Understanding (MoU) with individual host communities, the GMoU was widely advertised by promoters as dealing with a cluster of communities to maximise economy of effort and resources, providing seed money to community institutions based on production figures as well as technical assistance through non-governmental organisations (NGOs) and banks. 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 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 5.6 billion naira to former militants.[8]

[8] Namely General Government Tompolo Ekpumopolo, 3.6 billion; Asari Dokubo, 1.44 billion; General Ateke Toms, 560 million; and General Ebikabowei Boyloaf Victor Ben, 560 million. See Fabiyi 2012.

The civilian Joint Task Force (JTF), a group of youths using local guns, machetes, daggers and sticks, relying on their local knowledge of the geography of the area, has been involved in the fight against Boko Haram in northern Nigeria. While some have frowned at their involvement, they seem to be making headways where the military has failed.

Despite the responses illustrated above, instability and insecurity continue to plague the country. After a brief respite in the immediate post-amnesty period, insurgency is gradually returning to the Niger Delta. Some ex-militants, Asari Dokubo in particular, had threatened to bring the country down if Jonathan was not re-elected. Boko Haram has expanded its operations considerably, capturing territory after territory in the northeast, and there have been claims that it 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. These problems suggest there is more to be done by both the public and the private sectors.

CONCLUSIONS AND RECOMMENDATIONS

Nigeria is sufficiently endowed with human and natural resources to be part of the club of developed nations. However, due to a combination of factors, including poor leadership, mismanagement and corruption, its potential has not been efficiently and effectively harnessed. Consequently, the country remains grossly underdeveloped, both socio-economically and politically, with negative implications for peace and security. Official and unofficial responses to the problem have been underproductive, if not feckless, necessitating a change in response.

The following recommendations are targeted in particular at external partners of Nigeria:

- 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 prioritise the fight against corruption in their political dialogue and business relations with 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 insist on the promotion of social responsibility of private companies and "responsible" investment by foreign businesses in the country, in ways that will respond to local needs, respect the dignity of labour and safety of workers, and treat host communities as development partners.
- 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 their weight to relay this message to the government.
- The EU and the US should prioritise building local institutional capacity for governance and development in their assistance to the Nigerian government. 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 with key local NGOs/CSOs in their development interventions in Nigeria/Africa. This is necessary given the tendency by international donors to rely on 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 their efforts to encourage public-private partnership as partners in the true sense of the term, not as competitors, in fostering stability and development.

4.

A Case Study of South Africa

Catherine Grant Makokera

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 at the global level. It is an upper middle-income country with a gross national income (GNI) per capita of 6,800 dollars in 2014.[1] It is often described as an emerging economy and is a member of the BRICS grouping. It is also the only African country to be a formal member of the G20, which is a pre-eminent forum 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 in the peace and security agenda, in particular in peacekeeping and security sector reform, with a strong focus on regional approaches in Africa. It was this prioritisation of Africa's development that saw South Africa put forward its former Foreign Minister, Nkosazana Dlamini-Zuma, for the position of Chair of the African Union (AU) Commission. 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 a

[1] World Bank Data: *South Africa*, http://data.worldbank.org/country/south-africa.

country case study to examine its role in promoting stability and development in Africa. For the purposes of this particular chapter, 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 2011:13). South Africa also has close economic ties with the United States (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).

This chapter focuses on cooperation between the public and private sectors in South Africa. The private sector is widely acknowledged, including by donors and multilateral organisations, to play a critical role in socio-economic development. For example, the Organisation for Economic Development (OECD) highlights private sector development as a key component of poverty reduction and development (OECD 2006:74). 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 was assessed by Sen and te Velde to have effective State-business relations. In the first section of this chapter, the State-business relations approach is considered as a way to assess the current interactions between the public and private sectors in South Africa. This analysis is complemented by a discussion of South Africa’s economic diplomacy in the rest of the continent, and the linkages in this context between the State and the private sector.

The following section provides 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. It includes 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 the interactions between the South African government and the business sector at the domestic level, considering also the country's foreign policy with a particular focus on governance and democracy. A number of specific security concerns (e.g., crime and safety) in the South African economy are considered in the fourth section, together with a discussion on the role the country has played with regard to peace-building in the rest of the African continent. The chapter 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.

4.1 COOPERATION BETWEEN THE PUBLIC AND PRIVATE SECTORS IN SOUTH AFRICA

4.1.1 Overview of State-Business Relations in South Africa[2]

State-business relations are of interest for a number of different disciplines for their potential impact on issues related to governance, power, politics, and economic growth and development. The relationship between a government and the business community in any given country is often a complex one that reflects many different factors, including history, race or class dynamics, politics and specific sectoral concerns. For this reason it is difficult to generalise as these interactions are specific to national contexts, and differ depending on the nature of the issue under consideration. Different actors are involved at various points in time

[2] 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.

and one of the most common questions voiced by policymakers is "Who is the private sector?" The business community is wide, diverse and can mean different things to different people (Rettberg 2010:22). Some of the most common points of differentiation relate to formal versus informal businesses; corporate versus small and medium-sized enterprises (SMEs); and foreign versus locally owned firms. The desired interaction between the State and the 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 either 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 (2009:1279) define State-business relations 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: transparency, reciprocity and credibility. Sen and te Velde build on this work to link State-business relations to economic policy where they outline three main functions: facilitation of information exchange, check and balance on government policies and reduction of policy uncertainty (Sen and te Velde 2009:1269). Harriss (2006:1) identified a fourth factor, which is the role of State-business relations in fostering high levels of trust between the stakeholders with the objective of avoiding collusion.

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 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" (South African Presidency 2013). 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) 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. 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 (2007:9) 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 and Seekings 2010:42). NEDLAC also contributes to the sharing of information on socio-economic issues. Regular interactions between government and the private sector, as well as with other constituencies, help create greater levels of understanding of policy processes and 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 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: monetary policy, labour, development and 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 also submits draft legislation to NEDLAC for discussion by the constituencies before it is finalised. A NEDLAC report is 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 considers all the matters on the NEDLAC agenda, and canvasses 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 AfDB (2011).

There is not a conclusive assessment available of current State-business relations in South Africa. In 2010, Nattrass and Seekings specifically considered NEDLAC and found that "State-business relations remain fragile and highly fragmented" (Nattrass and Seekings 2010:68). 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 I contended that "the relationship between the government and private sector in South Africa has not always been particularly close." I went on to explain that the formation of NEDLAC in 1995

> provided a formal platform for engagement on a wide range of economic issues among government, business and labour. NEDLAC has achieved mixed success, which has often depended on the commitment of the relevant government department to engage on policy matters (Grant 2011:5).

These observations would appear to still hold in 2015 and, if anything, a greater distance exists between the government and business since 2011 given the high levels of mistrust that appear to exist on both sides.

A South African commentator, Aubrey Matshiqi, recently described the situation as having "mutated into a crisis of confidence" (see Allix 2014). There is a rhetorical commitment from the highest levels of the South African government to co-operate and interact with the private sector (South African Presidency 2013), but this has been much more difficult than expected. In practice the relationship is bedevilled 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 (ANC), 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 (Forbes 2015). The interaction of these firms with government structures varies greatly. Some (probably the vast majority)simply pay taxes and demand the most basic of services at a local level. Others 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 this research (Ndabeni and Maharajh 2013). In addition to size and formality the private sector in South Africa can also be characterised by other factors, with the racial composition of ownership and management being particularly relevant since the end of apartheid.

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 I assessed in 2011, NEDLAC has a

[3] The New Growth Path and the National Development Plan are two of the key policy

mixed track record and its contribution to State-business 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. NEDLAC was recently described in a South African newspaper editorial as "irrelevant" (BD live 2014) and a call was made for NEDLAC to be reformed with a negotiated accord between the government, business and labour at its heart. There are questions about whether the right businesses are represented in the discussions that take place at NEDLAC and whether the necessary feedback loops are in place, not only between constituencies but also within them.

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), which met regularly and involved captains of industry (Qobo 2010:23). In addition, working groups that included black business, the agriculture sector and foreign investors all 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). The regular meetings were discontinued and replaced with ad hoc interactions that often included the other NEDLAC constituencies as well; for example, President Zuma has 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 is influenced by history and politics and 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

documents that make up the overarching framework for South Africa's socio-economic development.

this regard, with the formation of the Business Unity South Africa (BUSA) in 2004. For a number of years, both government and the private sector widely acknowledged BUSA as the leading voice on policy issues and in the coordination of the business constituency in NEDLAC.

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 Black Business Chamber (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 platforms such as the BRICS Business Council.

4.1.2 South Africa's Economic Diplomacy

State-business relations are a critical dimension of economic diplomacy, as defined by Rana (Rana 2007:201):

> Economic diplomacy is the process through which countries tackle the outside world, to maximise 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.

South Africa's economic diplomacy is important for the relationships with the EU, the US and other African countries. In the South African context Vickers and Ajulu (2008:5) 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 close cooperation between government and business in order to achieve the objectives of the policies. The South African Department of International Relations and Cooperation (DIRCO 2011:28) specifically acknowledges this in a *White Paper on Foreign Policy* that notes: "successful economic diplomacy requires a close partnership with government, business and labour" (South African DIRCO 2011:28). Economic diplomacy is a South African priority, with its own section in the DIRCO White Paper (South African DIRCO 2011:26) as well as the ANC policy paper on international relations (ANC 2012). 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 2005:732).

Rana (2007) has developed a rough typology for assessing the economic diplomacy of developing countries. It 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. Following the Rana typology South Africa could be broadly placed in the group of "evolving developing countries" as it still needs a more specific definition of objectives and better interaction between stakeholders. In particular relations between government and the private sector in South Africa could be seen as rather "traditional," because the interaction is "episodic, depends on personalities," and is at best "niche-focused," with "variable" engagement between stakeholders (Rana 2007:213).

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 2010:19) 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 a 20-year review of South Africa's foreign policy, Zondi

(2015:8) concluded that "While South Africa has promised a stronger combination of political and economic diplomacy since end of the first decade, the deployment of diplomatic skill and capacity does not adequately demonstrate this intention […]. Secondly, 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 enhance its capacity for economic diplomacy. 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 2005:733). 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 maximising South Africa's strategic options at the expense of development. Vickers and Ajulu (2008:20-22) 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).

Qobo (2010:15) 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 when 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. It is on that basis that Qobo (2010:23) 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.

4.2 THE PRIVATE SECTOR AND SOCIO-ECONOMIC DEVELOPMENT

4.2.1 Overview of South African Economic Policy

Since the first democratic elections in 1994, the South African economy has grown at a steady pace (averaging 3.03 percent between 1994 and 2015[4]) and there have been significant improvements in terms of access to basic services (like housing, electricity, water, education and health care) for the majority of the population that was excluded under apartheid. However, there remain pressing socio-economic challenges as a result of the failure to see growth levels translated into jobs and any real impact on inequality as well as the need for infrastructure to keep pace with the expectations of the population. Growth has recovered since 2009 but remains at a much lower rate than the 5 percent 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.

Table 1 – Economic Indicators for South Africa, 2014

GDP	$349.8 billion
GDP annual growth	1.9%
Population	54 million
GNI per capita (Atlas method)	$6,800
Life expectancy	57 years
Current account balance	-5.3% GDP

Source: World Bank (2014).[5]

The 2015 *World Economic Outlook* anticipated an annual GDP growth in South Africa of 1.4 percent in 2015 (IMF 2015:2). However, the forecast has not met expectations due to the impact of industrial action and delays

[4] South Africa GDP annual growth rate 1994-2015, Data and analysis retrieved from *Trading Economics*, http://www.tradingeconomics.com/south-africa/gdp-growth-annual.

[5] World Bank Data: *South Africa*, cit.

in fixing the infrastructure gaps. The International Monetary Fund (IMF) noted that South Africa (as is the case for other major emerging market economies) needs to undertake important structural reforms in order to raise growth more robustly (IMF 2015:30). 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) had a slightly more optimistic growth forecast of 1.5 percent for 2015 but overall agrees with the IMF assessment that there is a need for structural reforms if sustained economic development is to be achieved (Kganyago 2015).

With regard to the current monetary policy space in South Africa, the inflation rate is expected by the SARB to remain in a band of 3-6 percent. This has largely been achieved, and in 2015 the rate of inflation was 4.38 percent.[6] Inflationary pressure in South Africa comes from a number of different sources, including the cost 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 is considered to be among the top eight most traded currencies. The South African rand has been affected by some volatility in recent years together with a number of other emerging market currencies. This has serious implications for monetary policy in South Africa and is also a concern of exporters and other private sector players (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. It is not in the scope of this chapter to explore the historical shifts that have taken place in this area over the years. It is worth noting however the current policy framework and the role of the private sector in this regard. At an overarching level the National Development Plan (NDP) was finalised in 2011 after a process involving the 26 commissioners that made up the National Planning Commission, including representatives of the busi-

[6] See the website Inflation.eu: *Inflation South Africa 2015*, http://www.inflation.eu/inflation-rates/south-africa/historic-inflation/cpi-inflation-south-africa-2015.aspx.

ness community. Although with some controversy, 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). 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 wide range of social and economic issues. Other, more specific plans address aspects of the NDP in additional detail, including the Industrial Policy Action Plan, the Trade Policy Strategy Framework and the New Growth Path as well as the Integrated National Export Strategy that is currently being finalised for implementation.

The NDP has been generally welcomed by the South African private sector, which has engaged 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 notes that each team has drafted a plan of action, which is starting to be implemented (Anthony 2014).

A common thread throughout different chapters of the NDP is the need to address the challenge of youth employment in South Africa. The World Economic Forum (2014:4) has estimated that unemployment for people between the ages of 15 and 24 years is over 50 percent in South Africa, making it the third highest level in the world (behind Greece and Spain). Official Stats SA information has the unemployment rate for people aged between 15 and 34 years at 36.9 percent (South African Statistics 2015). The NDP identifies education, skills and training as priority areas, including achieving progress in reducing inequality. In order to respond to this pressing challenge South Africa has introduced innovative social measures 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.

4.2.2 Key Sectors for Development and Structural Transformation

Trading Economics 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 (21.6 percent); government services (17 percent); wholesale, retail and motor trade, catering and accommodation (15 percent); and transport, storage and communication (9.3 percent). Manufacturing accounts for 15.9 percent; mining and quarrying for around 8.3 percent and agriculture for only 2.6 percent.[7]

In 2006 Rodrik attributed both South Africa's high unemployment and its low growth to the shrinkage of the non-mineral tradable sector since the early 1990s. He said:

> The disappointing growth and employment trajectory of the South African economy since its democratic transition is best understood as a consequence of the under-performance of its non-resource tradables sector, and of manufacturing in particular. Had the South African manufacturing sector expanded rapidly, economic growth would have been higher and far more jobs would have been created for the relatively unskilled (Rodrik 2006:24).

This analysis remains relevant as the manufacturing sector has continued to shrink since 2006. The "strong decline" in manufacturing in South Africa (Fedderke 2014:1) continues to be 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) sets out in significant detail the priority sectors for the industrialisation and development of the

[7] South Africa GDP annual growth rate 1994-2015, Data and analysis retrieved from *Trading Economics*, cit.

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 (South African DTI 2015). 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 Africa, such programmes are offered at the national and provincial levels, 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. Hausmann et al. (2008:4) outlined the relationship needed between government and business to ensure "good" industrial policy, stressing that public inputs from government should include standards setting, infrastructure, certification and property rights. Measures of business confidence in South Africa (such as that produced on a monthly basis by the South African Chamber of Commerce and Industry, including among foreign investors, suggest that the State is currently failing to produce these required inputs. 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 it would seem advisable to balance the sector-specific initiatives set out in the IPAP with broader reforms that have an economy-wide impact.

4.2.3 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. SACU members share a common external tariff and a common monetary area, 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 percent 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 to 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 reviews its revenue-sharing formula. This is spurred by 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 (Benjamin 2013). A series of high-level bilateral consultations are taking place between South Africa and the BLNS on the future of SACU, which will include formal political engagement on the way forward. In reason of these consultations, work within SACU has effectively stalled but a number of meetings at the senior officials level on trade and finance issues have taken place since November 2014.

Southern African Development Community

South Africa is also a member of the Southern African Development Community (SADC). SADC has a strong history as a political organisation and has experienced some 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 as it is able to contribute significant capacity and resources to assist in regional initiatives but does not want to be perceived as the dominant force in the region or a "bully." South Africa has traditionally not been particularly active in the SADC Secretariat but it currently holds the position of Deputy Executive Secretary. This comes at an important time for setting out the future priorities of the Regional Economic Community (REC) as it seeks to adopt a revised version of the Regional Indicative Strategic Development Plan (RISDP).

A number of regional initiatives are underway in a broad range of areas to promote socio-economic development within SADC. One area 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 other challenges with regard to the full implementation of the Free Trade Area (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.

4.3 THE PRIVATE SECTOR AND GOVERNANCE AND DEMOCRACY

4.3.1 Overview of Governance and Democracy Indicators in Southern Africa

In 2015 South Africa was ranked as the 4th best performing country out of 54 in the *Ibrahim Index of African Governance*. This reflected a slight move upwards with an overall score of 73.0 out of 100. South Africa scored 6th in the area of human development, 4th on participation and human rights and 2nd on sustainable economic opportunity. But concerns remain, as evidenced by South Africa's worst indicator on safety and rule of law. South Africa has an advanced constitution that encourages strong participation by all stakeholders in democratic processes and the system of governance. With an open media, vibrant civil society and active Parliament, there is considerable scope for the private sector to engage on issues related to strengthening South Africa's democracy. This can be pursued through a number of different channels, such as making submissions to Parliament, supporting political parties, participating in public debates, and funding non-governmental organisations through corporate social responsibility initiatives. Individual firms as well as some business groups make use of all of these opportunities, but when it comes to influencing the development and implementation of government policy the limitations outlined above on State-business relations in South Africa come into play. The following discussion on combating corruption seeks to illustrate the types of interaction that can take place between the public and private sectors on governance issues.

4.3.2 Challenges to Combating Corruption

One of the most prominent issues in governance debates in South Africa is that of corruption. The media play a significant role in scrutinising the behaviour of the public and private sectors in this regard. High-profile cases have included investigations into the purchase of military equipment by the South African government in the late 1990s/early 2000s and more recently the upgrades made to the private residence of President Zuma at Nkandla. Private sector activities are 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 Johannesburg Stock Exchange (JSE) are held to high standards of account, including through the King Codes of conduct as well as global initiatives such as the United Nations (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 to make slow progress in facilitating engagement between stakeholders on a range of issues related to combating corruption in both the public and private spheres. Like NEDLAC in some ways, the NACF has struggled to fulfill 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 institutional support for the NACF from the key government bodies and the commitment of government to actively engage in discussion or action on priority issues raised by the private sector.

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.

4.4 THE PRIVATE SECTOR AND PEACE AND SECURITY

4.4.1 Crime and Security in South Africa

At the domestic level, the primary concern in South Africa with regard to peace and security is the high level of criminal activity. The official crime statistics in South Africa indicate that there were 17,068 murders in the country in the year from 1 April 2013 to 31 March 2014 (Institute for Security Studies and Africa Check 2014). There are also significant numbers of other violent crimes reported, including those against women and children. This has resulted in a perception of South Africa as an unwelcoming environment in which to live and do business. For example, in the World Economic Forum *Global Competitiveness Report 2015* South Africa is rated 131 on the indicator of business costs of crime and violence. The *Ibrahim Index of African Governance* also sees South Africa as a relatively unsafe country in comparison to some of its African neighbours.

Particular types of criminal activity have a direct impact on the business environment. Around 202 businesses are burgled on a daily basis in South Africa (Institute for Security Studies and Africa Check 2014) and the country experienced a particularly worrying trend of targeted attacks on large retail operations by armed gangs in the second half of 2014. Other criminal activities, such as the theft of copper cabling or piping, also have a particularly negative commercial impact due to disruptions in provision of essential services such as water, electricity and transport.

In response to national security challenges in South Africa, the private sector started an initiative in 1996 to support the government's efforts to reduce the levels of crime in the country. Business Against Crime South Africa (BACSA) is

> 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.[8]

While there is still much to be done with regard to the security situation in South Africa, BACSA is widely recognised as a useful vehicle for engagement between the public and private sectors on this issue.

4.4.2 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 2013:2). The DIRCO White Paper (2011:20) states that "South Africa will therefore continue to play a leading role in conflict prevention, peacekeeping, peacebuilding, and post-conflict reconstruction," 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 (2012:14). Landsberg (2005:725) notes that by the end of its 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 2012:18). According to Qobo (2010:15), 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:par.57) has recognised however that peacebuilding includes "sustained, cooperative work to deal with underlying economic, social, cultural and humanitarian problems." Curtis

[8] See the BACSA website: http://www.bac.org.za.

(2012:14) 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 (2010:6) describes the private sector as a "crucial source of resources, know how and institutional capacity for building peace."

The Trade Policy and Strategy Framework of the South African government policy acknowledges the role of the private sector in post-conflict restoration (DTI 2012: 35), even if there are difficulties in partnering with the private sector in peacebuilding (Rettberg 2010:4), 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 look at the case study of Burundi and South Africa, identifying five memoranda of understanding (across a broad range of issues) 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 2013a:1).

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 2005:381). This was questioned 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 (AmaBunghane Reporters 2013). 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 (Mckune and Brümmer 2014). If these claims were true, they have the potential of 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. The relationship between government and the private sector is crucial to the promotion of a better and more enabling economic environment, more equitable participation in the economy and more effective action again crime and corruption in South Africa. Unfortunately NEDLAC is not an effective platform for engagement by 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 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.

- *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 have resulted in gaps at the policy level. There is a need to help strengthen business chambers and organisations that can contribute to the broad-based representation of the private sector views 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 the 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 public and private sectors in South Africa.

- *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 called for "a new global economic strategy" that reflects better coordination of South Africa's political and economic diplomacy, particularly in Africa (Vickers and Ajulu 2008:4). 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 (2010:4) 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 (2013b:6 and 2013c: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 (2013b: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 noted that some work had already been done on this but it had not been implemented (ANC 2012:35). It is understood that a set of "guidelines" was prepared and 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 on the part of South African firms. It is recommended therefore that further discussions take place between the public and private sectors in South Africa with a focus on existing codes of ethics and good practice that could add value to running South African companies and businesses. A monitoring mechanism could be mandated to oversee implementation of the guidelines.

- *Socio-economic development*

– The recommendations presented in this chapter target the potential for the implementation of national socio-economic development plans (such as the National Development Plan) and for promoting growth and employment as well as combating inequality. The private sector is already 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 in and make effective use of the opportunities provided by the task teams set up to discuss implementation of the NDP.

- There are opportunities for third parties to encourage and support activities to build the necessary institutional structures required for an effective industrial policy in South Africa (te Velde 2013). The principles of embeddedness, discipline and accountability (Rodrik 2013) are useful concepts that could guide such initiatives and would be in line with other recommendations that include the strengthening of State-business relations more broadly.

• *Governance and democracy*

- South Africa has an active Parliament that is willing and eager to engage in ensuring that good governance is promoted 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 G20, 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 G20 members to review the information submitted by South Africa on its governance structures and to share ideas to deal more effectively with corruption. The National Anti Corruption Forum could be supported to be-

come more actively involved in implementing the G20 recommendations in South Africa. In addition dedicated support could be given to independent civil society monitoring mechanisms to oversee, analyse and comment on the State's budget and its use, as well as instances of corruption.

- *Peace and security*

– The challenge of combating crime in South Africa requires ongoing private sector support for initiatives such as Business Against Crime. Such organisations can assist the government in identifying the impact of criminal activities 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.
– Business organisations 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 engage in more work on State-business relations, including with the support of international partners. Research and publications on this topic are very limited and tend to focus on NEDLAC (e.g. Nattrass and Seekings 2010). Such research could also benefit from updating.
– Research aimed at understanding the politics of successful economic transformation would be valuable. This could apply models such as that developed by Whitfield et al. (2015), which looks at the relationships between ruling elites, productive capitalists and relevant bureaucrats.
– When looking at interactions between the public and the private sectors, it is 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 for South African companies. It is only with such an understanding that

it will be possible to develop effective mechanisms for engagement on the range of policy issues covered by this chapter.

- It might be useful to undertake more detailed case studies on specific initiatives between the public and the private sectors in some of the areas discussed here. 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.

5.

Promoting Stability and Development in Africa: How to Foster Cooperation between Public and Private Sectors

Giorgio Garbasso, Marta Martinelli and Nicoletta Pirozzi

This chapter analyses the challenges and opportunities of public-private partnerships (PPPs) to tackle development goals in Sub-Saharan countries in three identified and interconnected clusters: (1) economic policies and sustainable development; (2) governance and democracy; (3) peace and security.

For the purpose of this research, public-private partnerships are defined in accordance with broadly accepted United Nations (UN) definitions, as

> voluntary and collaborative relationships among various actors in both public (state) and private (non-state) sectors, in which all participants agree to work together to achieve a common goal or undertake specific tasks. Partnerships may serve various purposes, including advancing a cause, to implement normative standards or codes of conduct, or to share and coordinate resources and expertise. They may consist of a specific single activity, or may evolve into a set of actions or even an enduring alliance, building consensus and ownership with each collaborating organization and its stakeholders. While they vary considerably, such partnerships are typically established as structured cooperative efforts with a sharing of responsibilities as well as expertise, resources and other benefits (ILO Committee on Technical Cooperation 2008:par. 1).

This research draws its analysis and examples from a set of experts' policy papers on four specific country case studies. The countries identified were (1) South Africa, which is among the most advanced of Africa's economies; (2) Mozambique, which is an emerging oil and gas exporter; (3) Nigeria, which is one of the most interesting transition economies in the continent; and (4) Ethiopia, which is still among pre-transition economies and affected by instability, but has been growing quite rapidly.

Firstly the research analyses public-private cooperation in the implementation of economic policies and structural reforms for sustainable development and offers examples of PPPs in the energy, infrastructure and agricultural sectors. The second part addresses the potentialities and challenges of PPPs in the promotion of democracy and good governance. The third part refers to peace and security issues with a view to exploring the opportunity and risks of engaging private actors in the fight against terrorism, crime and conflict.

Based on the following analysis the authors will provide some recommendations to the European Union, in cooperation with the United States and other interested partners, on how to promote public-private partnerships in all the three sectors analysed (sustainable development, enhanced governance and improved stability) within the framework of their relations with African countries, institutions and civil society.

5.1 Implementing Economic Policies and Structural Reforms for Sustainable Development: Fostering PPPs in the Energy, Infrastructure and Agricultural Sectors

An aspect of Sub-Saharan Africa's development gap resides in its poor State-business relationship. A constructive and continuous relationship between business and the State is an important factor in policy-making and the implementation process of economic policies and structural reforms that have been proven to contribute significantly to economic growth in the case of Sub-Saharan countries.[1]

State-business interaction, which refers in this section to public-private partnerships, happens at different levels and for different purposes. In respect of economic policies, government (including local or sub-local authorities) interacts mainly with business organisations and single companies but also with private philanthropy and non-governmental organisations (NGOs). The cooperation may cover the whole economy or target specific aspects like discussions about investment incentives, taxes or "red tape." Relations may be formal, regular co-ordination arrangements or informal and *ad hoc* interactions. Public-private relations affect economic policy and structural reform by facilitating information exchange between the two parties (to familiarise with working needs and capacities), by allowing for check and balance on government policies and by reducing policy uncertainty (Sen and te Velde 2009). The interaction of firms with government structures varies greatly. Some (probably the vast majority) simply pay taxes and demand the most basic of services at a local level. Others have dedicated resources that are responsible for managing the interactions with government on both commercial matters and the development of policy (see Grant Makokera in this volume).

A concrete and operational application of State-business relations for sustainable development in Sub-Saharan Africa is found in relatively new models of capital financing and implementation of development projects that goes under the name of public-private partnership. The public can delegate the provision of its services to the private sector, which will undertake projects in different areas like telecommunications, information technology (IT), transport logistics and shipbuilding, as well as in three key areas that this section will build upon: infrastruc-

[1] Sen and te Velde (2009) show that effective State-business relationships contributed significantly to economic growth in a panel of 19 Sub-Saharan African countries over the period 1970-2004. Countries which have shown improvements in State-business relationships have witnessed higher economic growth and control over other determinants of economic growth, independent of other measures of institutional quality (see Grant Makokera in this volume).

ture, agricultural and energy projects. As one of the main problems in Africa is how to raise capital to finance development projects, government expenditure may pose a high burden on sovereign debt and turning to private, decentralised actors may provide efficiency and effectiveness gains. Therefore PPPs are cooperative ventures that can effectively bridge the gap between public and private sectors' distinctive competencies and capacities in order to undertake a specific task or to achieve sizable and capital-intensive public projects.

As has emerged in the case studies on Nigeria, Ethiopia, South Africa and Mozambique, a complex and varied pattern of State-business relations exists across Sub-Saharan countries. In the following sections we will outline a historical and conceptual analysis of State-business relations in economic policies and structural reforms, and provide some benchmark examples of more specific public-private partnership in the sectors of agriculture, infrastructure and energy to pinpoint the challenges and opportunities that characterise this type of cooperation.

5.1.1 State-Business Relations in Domestic and Foreign Economic Policies

Mozambique illustrates a conflicted history of State-business relations. In 1975 the leadership embraced socialism. It expropriated private firms and turned towards a centrally planned economy managing companies and production units (with the exception of small farmers). The subsequent transition to the capitalist model led to privatisation, liberalisation and deregulation. In 1995 the State started to organise annual conferences gathering together public and private actors. These conferences later became institutionalised public-private dialogue mechanisms and the private sector slowly became a partner in the development of the country. From the year 2000, coordination between the public and private economic actors consolidated through 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 investments (FDI) also grew, further strengthening the role of the private sector in national economic development (see Wache in this volume). As illustrated by the case of South Africa, regular interactions between government and the private sector, as well as with other constituencies, help create greater levels of understanding of policy processes and make a positive contribution in terms of trust building (see Grant Makokera in this volume).

In other countries like Ethiopia, the development of the economy is mainly driven by the public sector. Ethiopia is one of the ten fastest growing economies in the world; it has recorded a double-digit growth rate for the entire decade, making it Africa's fastest growing non-oil-producer country. Yet, high growth rates mask the fact that the overall population is still deprived of basic services, and when analysing the more comprehensive Multidimensional Poverty Index Ethiopia is still one of the poorest countries in the world (Oxford Poverty and Human Development Initiative 2015). To sustain a remarkable demographic boom together with an urbanisation transition, Ethiopia will need a substantial energy and food supply. For instance, the Ethiopian government is building the Renaissance Dam on the Blue Nile, which will be the biggest dam in Africa and together with several other hydropower projects will provide electricity for the Ethiopian population. The State relies on its own means and capabilities to implement its policy goals, and participation from the private sector is still weak.

Conversely, South Africa is perhaps one of the best examples of highly institutionalised State-business relations in Africa. South Africa is an advanced economy but one that is enduring a period of sluggish growth for which the International Monetary Fund suggests implementing structural reforms such as labour market reform and addressing the issue of frequent electricity shortages (IMF 2015). South Africa has a dedicated statutory body, the National Economic Development and Labour Council (NEDLAC), which is a social dialogue platform that allows for interaction between government and business, together with other constituencies representing organised labour and civil society. It plays a role in the policy-making process on a range of economic policies and legislation including monetary policy, labour, development, trade and industry (see Grant Makokera in this volume). State-business relations are best achieved through such regular and institutional channels but these may not be enough for the dialogue to be useful and effective.

Since 2011 in South Africa the State-business relationship has "mutated into a crisis of confidence" bedevilled by perceptions, procedural challenges and, in some instances, ideological differences (IMF 2015). If trust and reciprocity, which are at the core of institutionalised State-government relations, are not encouraged, State-business relations may not live up to their potential to spur economic reform. Formal relationships are effective because trust and informal ties exist underneath. Establishing, sustaining and renewing effective State-business relations are political processes, and the better organised the business community and the government are for purposes of such relations, the more effective State-business relations will be in negotiating growth-enhancing policies (Kunal 2013).

State-business relations are critical also in the development of external action policies for economic growth. Trade and investment agreements undertaken by governments are State-to-State negotiations but businesses play an important role when discussing trade barriers, standard setting, trade liberalisation and legal simplification. External action in the field of economy, or what has been called economic diplomacy, is proven to foster domestic business growth. South Africa for instance is very active in bilateral and multilateral fora and it is now the only African country to have a Strategic Partnership with the European Union. 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), gaining significant benefits for trade and FDI (see Grant Makokera in this volume).

Government at a domestic level is also key in shaping a favourable legal system to channel FDI, which in turn is key to improving the private sector. In Mozambique, implementation of the investment law (Law No. 3 of 24 June 1993) resulted in the creation of Mozal, an aluminium smelting plant located in Maputo province – an operation that galvanised the small and medium-sized enterprises (SMEs) contracted to provide services, especially transport, cleaning and feeding. Mozal represented the promising start of foreign direct investments that in subsequent years were to settle in Mozambique (see Wache in this volume).

The diversification of the economy is also a key factor for successful PPPs in different sectors. Mozambique has a greatly diversified economy, with a 30 percent share for construction, hostelry and tourism followed by a 25 percent share for industry, agriculture, hunting, forestry and fishing, and only 1 percent for the extractive industries (see Wache in this volume). With such economic diversification as a premise, the exploitation of recently discovered offshore gas reserves in Mozambique starting from 2018 will boost the mining industry and have positive gross domestic product (GDP) effects on the economy. In contrast, the Nigerian government has been unable to efficiently manage oil proceeds to facilitate the diversification of the Nigerian economy and distribute wealth to the majority of the population. Nigeria exports huge amounts of oil and Liquefied Natural Gas (LNG), but is unable to provide electricity to its citizens, as 82 percent of energy consumption in the country comes from traditional biomass and waste (IEA 2014:131, 202). Furthermore, the dominance of the oil sector increases the susceptibility of the economy to oil shocks, crippling the economic budget of the Nigerian government, which earns 80 percent of its revenue from the oil industry (see Omotola in this volume).

5.1.2 PPPs in Three Key Sectors: Agriculture, Infrastructure, Energy

The agriculture sector is vital for the first of the Millennium Development Goals: reduction of poverty and eradication of hunger. In Sub-Saharan Africa, poor cultivation methods, technology gaps and unreliable irrigation systems are among the crucial impediments that undermine the productivity of the sector. The situation is worsened by climate change and erratic weather, which affect the overall crop yield. Kwara State in the north of Nigeria, aiming at increasing investment, productivity and sustainability for its agriculture sector, launched a pilot project to attract large-scale agro-companies. Eventually, the scheme provided a legal "pioneer status" to some farmers from Zimbabwe and granted subsidised deals and favourable access to land. In exchange for this advantageous financial treatment, the agro-companies committed in their Memorandum of Understanding with the local body to (1) incorporate each farm enterprise with 80,000 dollars share capital; (2) contribute 1 percent of their gross turnover to the community trust fund; and (3) provide youth training programmes for the next generations of farmers (see Omotola in this volume). The project revitalised agriculture in the area by exploiting underutilised lands, boosting employment, addressing food shortfalls and teaching best practices. However, policies on intensive farming require changing the distribution of economic benefits and prioritising among economic sectors, which as experience shows is always contested. The local population perceived this PPP project as a form of land grabbing, as little or no compensation was provided for the loss of its "ancestral home" (see Omotola in this volume and Makochekanwa 2014). Economic gains were also minimised by the lack of infrastructure and reliable roads necessary to the optimal supply and distribution of food (Charles 2009).

PPPs are most efficient in the development of important mega-projects in infrastructure. Infrastructure is generally considered an effective way to boost development that helps interconnect markets and addresses the challenge of urbanisation, with remarkable spillover effect and with less side effects than big commercial farming projects. For instance, the construction of a major road connecting Dakar-Libreville-Djibouti with three docks opened to international markets has great potential to facilitate commerce and transport of agricultural goods and boost the industrial development of the continent. Sub-Saharan Africa has a great need for connection corridors whether they be major routes, railways or waterways routes. China also has a preference for investment in infrastructure development projects in the region. It is with Chinese concessional loans that Mozambique has been building, since 2013, the bridge that will link Maputo city to Catembe, a touristic site in Maputo Bay, with a view to facilitating tourism, investments and expansion of services.

Interconnection in infrastructure is also at the core of the energy issue in Sub-Saharan countries, where only 290 million out of 915 million people have access to electricity (IEA 2014:13, 30-34). Electricity tariffs are, in many cases, among the highest in the world (excluding South Africa). For the African Development Bank, making electricity accessible to everyone would raise GDP in Sub-Saharan countries from 2 to 3 percent (AfDB 2013). Energy projects require high financial capital investment and have a strong potential to increase business productivity, making it a key sector for public-private partnerships. Concern remains in the implementation of such projects, especially in the fossil fuel field. Inadequate public-private partnerships in the oil-rich region of the Delta Niger engendered environmental concerns and protracted violence in the struggle for resource control and environmental justice in Nigeria. In fact there was an obvious lack of capacity on the part of the Nigerian government to effectively negotiate contracts with big private investors and regulate their activities (see Omotola in this volume).

Sub-Saharan countries also have a great untapped potential for the use of renewable energy sources, as these are becoming more and more price-competitive. In several East African regions, the levelised cost of energy (LCOE) for fossil-fuel-based power generation is higher than for hydro, wind, biomass and geothermal options (International Renewable Energy Agency 2015). Geothermal is becoming the second largest source of power supply in East Africa, mainly in Kenya and Ethiopia. New hydropower capacity in Ethiopia, Mozambique, the Democratic Republic of Congo and Guinea, among others, may play a major role in bringing down the region's average costs of power supply, reducing the share of oil-fired power (IEA 2014:14).

Analysis of the country case studies of Ethiopia, Mozambique, Nigeria and South Africa, through the cross-cutting theme of public-private partnership, provides an outlook of Sub-Saharan Africa's great potential for economic development. In fact, numerous projections on Africa signal the rise of the middle class, growth in overall economic output and a trend towards poverty eradication (Osborn et al. 2015). However this positive note should not conceal the many challenges that still lie ahead. Extreme poverty is still a main issue, inequalities of income are rising and economic growth indicators do not reflect widespread wellbeing, as distributive mechanisms are still weak.

Therefore it is key that the European Commission and the United States maintain their support for PPPs and for new forms of partnership and multi-stakeholder alliances, and carefully design their action so as to ensure a fair distribution of benefits. The European Union, with an important document from the European Council, established in 2007 an Africa-EU partnership that emphasises the importance of public-private partnership. Many of the declarations are still exhortative in nature but they provide the strategic pathway that Europe – in partnership with key actors like the United States and the United Nations – will have to implement within and beyond the larger commitment for the Sustainable Development Goals.

5.2 THE ROLE OF PPPS IN DEMOCRACY PROMOTION AND GOOD GOVERNANCE IN SUB-SAHARAN AFRICA

Interrogating the role of PPPs in promoting democracy and good governance means conducting a critical analysis of the ultimate objectives of such partnerships and the power relations inherent to the participants involved. It requires an explicit approach to the notion of the interests involved: If the imperatives of economic development in Sub-Saharan Africa may have moved Sub-Saharan African States towards more economic decentralisation and towards seeking the help of the private sector for service provision, this has not always been matched with a parallel move towards more decentralised, transparent and inclusive decision making for development. A rights-based approach to PPPs is grounded on the assumption that economic growth alone does not necessarily deliver better outcomes for the poor; fundamental causes of poverty and inequality that include discrimination, exploitation and abuse must also be addressed (Gibb et al. 2008:15).

A closer relationship between private and public actors can sustain economic development only in as much as private business partners embrace the objective of serving the public good, and the public can trust the arrangements between government and private business to deliver needed services and goods on a transparent, accountable and fair basis. Some analysts recognise that an inherent tension exists between the "profit driven interests of the private sector" and the "welfare driven interests of [local] communities" (Miraftab 2004:89), whilst others appreciate the potential for PPPs to create shared value thanks to their collaborative basis (Austin and May Seitanidi 2012). In this context the role of the State is essential to regulate the relation between the partners and keep the playing field level. And yet the State can only do so if prompted by a strong civil society that can operate in an environment which allows for democratic participation. The case of Nigeria and the role that civil society has played to contrast the government's decision to eliminate fuel subsidies or to monitor the quality of service delivery in the telecommunications sector, to name just two examples, is illustrative of this dynamic (see Omotola in this volume).

This section looks at how PPPs can support the development of a more democratic and accountable State in Sub-Saharan Africa, and ways in which they can contribute to improving the environment for human rights. Virtually all PPPs can contribute to improving the general living conditions and the human rights standards of a country's citizens. Indeed PPPs are considered a policy tool that can enhance governance effectiveness and strengthen governments' legitimacy through the cooperation of private and public sectors. For example a partnership between the government of Gabon and French multinational Vivendi focused on water distribution has the potential to uphold human rights of inclusion and fairness by ensuring that clean water services reach the most deprived and marginalised rural communities; in South Africa privately built and operated security prisons, in spite of some notable examples of poor and non-transparent contract management (Hendricks and Musavengana 2010:136-137), have also shown the potential to deliver higher quality services and facilities than public prisons at no higher cost for the State, thus allowing prison inmates to live in a more dignified environment (Farlam 2005:16); and in Lesotho a PPP delivered the first public hospital in the Basotho capital of Maseru, contributing to better care for HIV/AIDS patients and reduced maternal mortality (Ventures Africa 2013). PPPs can contribute to ensuring employment rights by hiring local workers and training them, paying adequate wages and benefits, and hiring displaced public sectors workers (Schwellenbach 2014).

Yet, the positive potential to promote a general environment of better human rights and good governance is contrasted with the specific challenges that PPPs face, as highlighted by the case studies from Mozambique, Ethiopia, South Africa and Nigeria in this publication. These include corruption and political interference in the allocation of tenders and contracts; little citizen involvement in the decision-making of economic programmes that have a direct bearing and long-lasting effect on their lives; and asymmetry of power and capacity amongst participants in the partnerships, which reduces the possibility for transparency and accountability.

5.2.1 Potential for PPPs to Improve the General Governance Environment

Governments enter into public-private partnerships because private actors bring resources that the government cannot afford to acquire. In Africa, international donors engage the private sector as an effective answer to development challenges that foreign policy assistance cannot meet alone, whilst ensuring collaboration in meeting foreign assistance goals (Hudson 2009). Such challenges are best met by increasing collaboration between government, business and – crucially – civil society organisations. When this triadic relationship works, it has the potential to close both the delivery and the democratic deficit (Hudson 2009). In addition, civil society organisations can support and partner with both public actors and private enterprises, contributing their in-depth knowledge of the local context as well as understanding of local dynamics.

One way that PPPs can help strengthen the democracy and human rights context of a given country is by contributing to modernising national normative frameworks and creating a regulatory environment that clarifies responsibilities of government agencies and the private sector (Fombad 2013). Such regulations protect consumers from business abuses including monopoly, define direct and indirect controls and limitations, and allow governments to monitor the business sector (Bertolini 2004; Sundararajan and Ahmed 2015). Sound normative frameworks have the potential of creating a level playing field for partners engaged in PPPs and addressing power discrepancies. For example Nigeria introduced the National Economic Empowerment Development Strategy (NEEDS), at both State (SEEDS) and local (LEEDS) government levels. The Strategy aims to restructure, right size, re-professionalise and strengthen government and public institutions to deliver effective services; at the same time NEEDS seeks to fight corruption, ensure greater transparency, promote rule of law and strict enforcement of contracts as well as engage the private sector in employment generation and poverty reduction initiatives that include health and education (see Omotola in this volume). A very important area where PPPs and the private sector have the potential to contribute to norms creation and improved human rights standards is the farming sector. Large-scale farming investments have the potential to institutionalise the recognition of land tenure rights for local communities and the development of a transparent and judicious land governance that, amongst other things, recognises the rights of women as key farming actors in Africa (Willoughby 2014).

Another way is by designing innovative dialogue opportunities and means of consulting and collaborating with multiple-stakeholders. PPPs can help articulate the interests of both business and society by contributing to the proliferation of cross-sector partnerships. In such collaborative partnerships, non-profit actors can become a source of value for business by contributing to collaborative problem-solving, enhanced reputation and increased legitimacy as well as improved employee recruitment, retention and skills diversification (Austin and May Seitanidi 2012). Private companies involved in PPPs, particularly in infrastructure, normally enter contracts of 20-30 years duration that force them to think and plan for the long-term. Effective collaboration with local administrations and communities is thus essential to ensure the sustainability of projects, and companies have learnt that a good quality dialogue is necessary to offset mistrust in the company's capacity to deliver (Hudson 2009:56). PPPs have thus the potential of multiplying the fora for exchanges between local communities and administrations for a better articulation of needs, facilitating inclusive planning and strengthening accountability of service provision and delivery. Because effective PPPs tend to be successful only when they enjoy a broad-based support, they also force governments to engage in good and transparent communication. In so doing, PPPs can encourage participation and democratic decision-making as well as providing examples of power-sharing arrangements. In addition, trust between government and its population, which in itself contributes to stability, is reinforced. However, Sub-Saharan African States experience different levels of commitment to values of inclusivity and democratic participation. Ethiopia is a case in point: Whilst economic indicators of development have gone up and

Ethiopia is credited with great advancements in the fight against poverty, the developmental state model emphasised by the ruling party has a strong focus on service delivery at the expense of reforms needed to encourage democratic governance (see Maru and Demise in this volume). In a country where critical engagement with the government is denied, the potential for contestation of ill designed PPPs that fail to meet the demand for equitable qualitative and quantitative service delivery is highly destabilising.

In spite of the democratic, social and human rights potential inherent in PPPs, analysts point to important discrepancies between the theory and practical consequences of PPPs practices in Africa (Miraftab 2004). Some of these discrepancies are generated by the nature of the African State, including the differential stages of democratic development and differing rule-of-law contexts experienced by African governments. But some are inherent in the set-up of PPPs and contribute to worsening conditions for democracy and human rights by reducing accountability and undermining public control.

5.2.2 Challenges to PPPs’ Role in Promoting Democracy and Good Governance

The success in the expansion of PPP experiences in Sub-Saharan Africa is underpinned by the assumption that the State is unable to meet development demands and is inefficient in allocating resources for development initiatives. Conversely, private sector initiatives are assumed to be more cost-effective and efficient. Private business becomes a partner of government to help it address socio-economic, political and fiscal problems by contributing to economic growth and development. For instance, developing countries have resorted to the use of PPPs as an integral strategy in the pursuit of the Millennium Development Goals (Fombad 2014). However, PPPs are inherently risky in Sub-Saharan African countries where governments have low levels of effectiveness, are weak in regulating market forces and are not accustomed or do not wish to include the voices of the poorest and marginalised communities in policy-making.

PPPs processes may not necessarily result in equitable service delivery and may exacerbate discrimination and divisive lines amongst the population (Miraftab 2004). Some PPP projects have contributed to discrimination by benefitting richer parts of the population first, whilst being slower in delivering benefits to the less wealthy portions of the population. For instance, in 2009 the Siza Water Company signed a 30-year concession contract with the government of KwaZulu-Natal in South Africa, to provide water and sanitation services to the Borough of Dolphin Coast. Yet six years into the concession, water and sanitation services targets had been fully met only in the wealthier areas of the Borough and the standards of the services provided discriminated between households on the basis of their ability to pay for service tariffs (Farlam 2005:21-25). In another scheme, South Africa developed a housing policy to respond to acute housing shortage amongst poor populations discriminated against during the apartheid regime. The financial institutions involved in the scheme issued the majority of their bonds to the upper range among recipients who were able to provide better security of repayment, and tended to make large loans through groups of developers rather than small loans to individual applicants, in order to reduce their operating costs (Miraftab 2004:96).

In Nigeria, in spite of government's efforts to promote fiscal, monetary and structural reforms to improve socio-economic development, with the inclusion of the private sector there is a growing concern regarding the quality of private sector investments, the quality of service delivery, corporate social responsibility and responsiveness to local needs. For example, protests on the quality of service delivery have intermittently permeated the telecommunications sector since 2002. The government, through the Nigerian National Petroleum Corporation (NNPC), struggles to regulate the activities of oil majors. Irresponsible patterns of investment by oil companies in the region have contributed to the desecration of the Niger Delta into an environmentally insecure zone whilst the struggle for oil and environmental justice has led to violent conflicts and the proliferation of small arms and light weapons (see Omotola in this volume).

Among the main obstacles to the development of effective and publicly accountable PPPs in Africa is the existence of autocratic regimes and self-serving interest groups, as well as practices of international multinationals that are tantamount to pillaging (Ventures Africa 2013). The weakness of government administration is also a major cause for concern. For instance, Western partners are supporting Mozambique's State budget to contribute to the country's economic growth and consolidation of the private sector. However, Mozambique has not been able to fully profit from such support. This is the case with the 10th European Development Fund (EDF) implemented over five years (2008-2013), and the first phase of the Millennium Challenge Account (MCA) provided by the US, also implemented over five years (2008-2013). Mozambique was not able to absorb the EDF during the scheduled time and was not eligible for the second phase of the MCA. In both cases failure to access the funds had similar causes: (1) complexity of criteria, (2) inability of contracted companies to implement the projects financed by these funds and (3) lack of clear information about the funds (see Wache in this volume).

The reality of PPPs is one of asymmetric capacity between government or local authorities, community groups and the private sector as well as one of competing interests. Yet for PPPs to become enablers of equity and development, the State must be willing and able to play an essential mediation role to ensure that community groups' needs and conditions are taken into account, that they are adequately represented and that their coping strategies are included in the design and implementation stages of the PPPs. During the negotiation phase of PPPs, citizens' organisations are rarely represented in adequate numbers, whilst issues of "commercial confidentiality" or property rights and data protection are invoked to reduce access to information and shield PPPs from public scrutiny (Fombad 2013:15). Clearly, effective public participation and monitoring is only possible where the level of democratic development allows for civil society organisations to play an effective check-and-balance role. In addition, PPPs' accounting is mostly done using accrual accounting methods whereby the capital and operating costs required are paid throughout the life of an agreement. This means that the overall debt and payment commitments of the government, including future ones, are not included in public sector spending estimates and therefore are not reported to parliament even if they are most likely to impact future generations of tax payers and commit future governments (Fombad 2013:17).

Corruption is an ongoing major obstacle to healthy, sustainable, efficient and effective PPPs, and the tendering process is particularly susceptible to it. For instance, well connected friends and relatives of politicians are awarded lucrative supply contracts even if they offer lower bids, lower expertise and higher prices. Intermediaries are used to lure influential politicians into helping with winning tenders, and corrupt deals oil the chain all the way through, with little value added for the overall national economy. The oil and gas sectors are particularly vulnerable to corruption as the wealth derived from these resources can weaken State and governance structures considerably (Humphreys et al. 2007). The effects of corruption impact the political system itself and research indicates that countries rich in natural resources, and oil and gas in particular, with their derived wealth, may have difficulty in developing democratic governance systems (Tsui 2011). In spite of the existence of codes of conduct and good practices that take various forms depending on the national context, effective sanctions for corrupt practices and non-compliant parties are rarely imposed.

Accountability is a major challenge for PPPs. As Fombad (2014:75) points out, "PPPs bring in different stakeholders with varying interests, resulting in the blurring of private and public sector responsibilities to the extent that shared accountability may result in general irresponsibility from all involved if not checked." Post-project evaluation mechanisms are a particularly underdeveloped link in the accountability chain that oversees PPP implementation.

Although PPPs have a potential key role to play in the development of more democratic and human rights contexts in Sub-Saharan Africa, such potential is not currently fulfilled. Both the State and the private sector are often unable to contribute to a better distributive agenda and important gaps remain between policies and practice. Although this is experienced to different degrees in the four cases presented in this publication and while it is important to recognise context specificities, PPPs need to pay more attention to issues of equity. The ability of grassroots and civil society organisations to voice their interests and concerns in such partnerships must be strengthened, and their participation institutionalised and supported. This is essential to the effective performance of partnerships themselves as it contributes to ensuring the projects' social, economic and political sustainability.

5.3 PEACE AND SECURITY: ENGAGING PRIVATE ACTORS IN THE FIGHT AGAINST TERRORISM, CRIME AND CONFLICT

Sub-Saharan Africa is still marked by enduring insecurity and conflict. Some countries, like South Africa and Mozambique, have successfully accomplished peace processes that favoured national reconciliation and guaranteed peace, but are still struggling against social tensions and criminality, including piracy and kidnappings (see Grant Makokera and Wache in this volume). Others, including Nigeria, are confronted by a rising spate of conflict that is both identity-based, rooted in ethno-regional, religious and communal dimensions, and resource-based, as in the case of the oil-rich Niger Delta. In addition, new threats including the Boko Haram insurgency overlap with escalating rural banditry in the northern part of the country (see Omotola in this volume). Finally some, like Ethiopia, are plagued at the same time by internal instability, fuelled by nation-building based on confrontation and secessionist movements, transnational challenges such as terrorism (i.e., Al Shabaab) and piracy, and regional tensions due to failing or poorly performing neighbouring States, as well as geopolitical issues such as access to the sea and secure port services (see Maru and Demise in this volume). This complex scenario is still impeding the stabilisation of the continent, which remains the most conflict-affected area of the globe, and places a heavy burden on the effort to promote sustainable development and functioning democracy.

Against this background, the role of public-private partnerships is relevant under two main dimensions: the provision of key capabilities and skills that are missing in the security forces of Sub-Saharan States, and the promotion of inclusive strategies for conflict prevention, conflict resolution and peacebuilding.

5.3.1 Building Capabilities and Providing Resources to the Security Sector: The Role of PPPs

The first dimension is linked to the difficulties experienced by Sub-Saharan governments to perform effectively their security tasks due to the lack of adequate financial means, human resources and operational capabilities. These shortcomings have been exacerbated by the increasing complexity and sophistication of security threats posed by terrorist and criminal acts. The security apparatus of local governments, including police, military and paramilitary forces, is therefore placed under severe strain and often unable to cope with these challenges.

One example is the inability of the Nigerian government to face the emergence and spreading of Boko Haram uprising. Initially limited to north-eastern Nigeria and intended to uproot corruption and injustice in the country through the imposition of the Sharia, it has gradually evolved into a transnational terrorist group affecting neighbouring Chad, Cameroon and Niger and pledging allegiance to the Islamic State (IS). As pointed out by Omotola in this volume, the fact that Nigeria relied on a civilian Joint Task Force (JTF), "a group of youths using local guns, machetes, daggers and sticks," to conduct the fight against Boko Haram speaks volumes about the country's capacity to defend its territorial integrity. In order to address the lack of equipment and tools at the disposal of Nigerian security agencies to protect lives and property of citizens, private sector operators such as the MTN Foundation, the corporate social investment arm of the leading telecom outfit in Nigeria, and the Dangote Group, a large manufacturing conglomerate headquartered in Lagos, recently donated patrol vehicles to State governments (Ucheagwu 2014). Additionally, both the government and big oil companies in the region have been awarding contracts to private security companies for the protection of oil installations and facilities (see Omotola in this volume).

While the States retain the primary responsibility for implementation of security policies, PPPs come with lots of advantages in terms of "speedy, efficient and cost effective means" of delivering security services (Ucheagwu 2014). In the specific context of counter-terrorism, the value of involving non-State actors has been increasingly recognised and the importance of PPPs has been explicitly mentioned by the United Nations Global Counter-Terrorism Strategy, which encourages the identification and sharing of best practices to prevent terrorist attacks on particularly vulnerable targets (UN Interregional Crime and Justice Research Institute 2009:2). At the same time, they present a number of challenges, including the need to provide adequate incentives to the private sector to encourage investments in the security field and to address specific concerns in terms of information sharing and retention in a sector that is characterised by high level of sensitivity and secrecy of data.

Another interesting example is the involvement of private actors to reduce the level of crime in South Africa. In order to face the rising crime rate and insecurity, post-1994 has seen the increasing involvement of the private sector in the government's efforts to combat crime, as well as the growth of the private security industry. An excellent example of the first is Business Against Crime South Africa (BACSA), which was created in 1996 with the mandate to engage and give support to government on crime-related matters 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 (see Grant Makokera in this volume). It was established in response to a call from then President Mandela for the business community to become involved in the fight against crime, and is recognised as an interesting model to engage public and private actors in the security sector. As for the second case, in South Africa private security companies work in partnership with State police and local authorities in the Improvement Districts, funded by a levy collected by rate payers and aimed at improving security services in crime-affected areas (Hendricks and Musavengana 2010:136). More contested is the use of PPPs in correctional services. In two South African prisons, private security companies (Kensani Corrections Management and G4S Care and Justice Service) provide integrated biometric security systems and closed-circuit television (Hendricks and Musavengana 2010:136). This management strategy ensures high standards and was initially developed to cover key risk areas, including stock control, security and appointments. However, it seems counter-productive in the long run, due to the allegedly corrupt awarding of contracts, the cost to the taxpayers and the duplication of functions already performed by the staff of the Department of Correctional Services.

5.3.2 Promoting the Involvement of Non-State Actors in Conflict Prevention, Conflict Resolution and Peacebuilding

The quest over the past two decades in Africa has been for the creation of an environment in which security concerns are addressed as essential conditions for sustainable development and functioning democracy. The traditional conception of security in purely military and State-centric terms has been progressively challenged in favour of a more inclusive strategy that recognises the role of civilian means and non-State actors. The shift from national security to human security, which targets individuals rather than States and aims at ensuring their safety, freedom and dignity, is the consequence of a different narrative adopted at the international level and gradually internalised by African institutions. It is also the outcome of a reflection on the characteristics of conflicts in Sub-Saharan Africa, which are essentially social in nature and require a mix of capabilities and expertise beyond the armed force to be effectively prevented and resolved. Moreover, it is in line with a growing body of literature that suggests that the durability of peace increases if efforts to rebuild conflict-affected societies include the full range of stakeholders (Institute for Inclusive Security 2013:1).

The inclusion of private sector and civil society actors in national and regional strategies for peace and security is not new and has involved a wide range of non-State actors from professional associations to religious institutions, non-governmental organisations, trade unions, academic centres, women's groups and other organisations. In Mozambique, the local Catholic Church together with the Community of Sant'Egidio helped mediate the talks between Frelimo and Renamo that led to the 1992 Rome General Peace Accord. In South Africa, business, religious and community leaders were among the signatories of the 1991 National Peace Accord, which set up a National Peace Committee with business and religious components to monitor the implementation of the agreement and end political violence (Institute for Inclusive Security 2013:5).

More recently, different mechanisms have been used to increase the participation of various interest groups in peace efforts, with mixed results. These mechanisms vary from negotiating structures including civil society actors, to technical advisory bodies to review and monitor peace accords, to Track II mediation processes that help initiate or support formal contacts among conflicting parties. They have been applied to both intra-State confrontations and inter-State disputes. The actors involved and the strategies adopted have been influenced by the specific form of security challenges at stake (see Omotola in this volume).

For example, ethno-regional and religious crises in Nigeria have been addressed through the engagement of faith-based organisations such as the Nigeria Inter-Religious Council (NIREC), a voluntary inter-faith association that provides religious leaders and traditional rulers with a platform to promote greater interaction and understanding (see Omotola in this volume). In other kinds of crises, like the resource-based conflict in the Niger Delta, major oil companies have attempted to promote sustainable development and resilience of host communities through the instrument of Global Memorandum of Understanding (GMoU). GMoU deals with a cluster of communities instead of individual communities and entrusts its decision-making and implementation to the community institutions, providing them with seed money on the basis of production figures and technical assistance through NGOs and banks (see Omotola in this volume). However, after a brief respite, insurgency is gradually returning to the Niger Delta and shows the need for alternative strategies of public-private collaboration for peace.

Peacebuilding activities in post-conflict States have also started to increasingly rely on the cooperation between the public and private sectors or a more multi-track diplomacy approach (McDonald as quoted by Grant Makokera in this volume), as the private sector is now seen as a "crucial source of resources, know how and institutional capacity for building peace" (Rettberg as quoted by Grant Makokera in this volume). South Africa has made limited progress in this direction when addressing peacebuilding at the regional level, for example by recognising that increased coordination between government departments, business and NGOs is necessary to ensure post-conflict development in Burundi (Hendricks and Lucey as quoted by Grant Makokera in this volume). However, concrete implementation of this principle is still lacking or has been conducted with ambiguous practices. The involvement of South Africa in the resolution of the crisis in Central African Republic (CAR) or in the 2010 election in Guinea has been accused of being driven by mining interests of the South African government and business leaders in those countries (see Grant Makokera in this volume).

Finally, the role of non-institutional actors in peace and security matters has been recognised by continental and regional institutions, which are the building blocks of the nascent African Peace and Security Architecture (APSA). For example, civil society organisations provide APSA institutions with capacity building and training on specific security issues or on mediation techniques (Miranda 2012). At the regional level, the West African Network for Peacebuilding signed an agreement with the Economic Community of West African States (ECOWAS) in 2002 for the implementation of a regional early warning and response system (ECOWARN) as an observation and monitoring tool for conflict prevention and decision-making (Miranda 2012:79). The Organ on Politics, Defence and Security Cooperation of the South Africa Development Community (SADC) has also established working relationships with expert organisations, such as the Institute for Security Studies (ISS) and the African Centre for the Constructive Resolution of Disputes (ACCORD) (Hendricks and Musavengana 2010:34). However, despite some positive examples and formal commitments, the sector as whole remains monopolised by institutional stakeholders and lacks a bottom-up and structured approach to ensure that non-State actors can have a real impact on peace and security strategies.

CONCLUSIONS: A NEW PPP AGENDA FOR THE JOINT AFRICA-EU STRATEGY?

Public-private partnerships attract large investments in Africa, including from emerging economies. The EU itself acknowledges the importance of PPPs for the achievement of public policy agendas, such as international development objectives. One notable example is the establishment, in 2007, of a dedicated Trust Fund to support the implementation of transnational infrastructure projects in the energy, water, transport and telecommunications sectors. This allows the European Investment Bank to partner with African financial institutions in supporting African States that wish to invest in such infrastructural projects.

However, some observers note that enthusiasm for PPPs should not cloud the key role that public institutions need to play to ensure their effective implementation. In this regard the Joint Africa-EU Strategy, with its emphasis on governance, represents an important venue for frank exchanges between European and African partners on the political environment required to operationalise support for good governance as well as for private business and investment. In addition to making available financial resources and improving their use, it is important to understand the political economy of putting in place supportive institutional and policy environments both nationally and internationally. Yet this is an area where international donors and their financial institutions, including the EU, may not fully appreciate the need to align with national development strategies (Bilal et al. 2014).

- *Economic policies and sustainable development*

– *Public-private partnership*. The EU and the US should maintain their efforts on fostering public-private partnership as a mean to achieve sustainable development goals in Africa. Effective State-business relations can mitigate both market failures and government failures, which are pervasive in most developing countries, and by doing so bring about an increase in economic growth.
– *Corporate social responsibility*. The EU and the US have to make sure that the values for which they stand are correctly taken into account in major PPP projects, ensuring decent wages, equal pay for women, and health and safety standards. The sponsors of current mega-PPP projects should also ensure fairness, transparency and accountability of the arrangements. Europe and the US should push for a systematic integration of codes of conduct as well as clear and defined guidelines and recommendations for corporate social responsibility. PPPs will benefit from an environment regulated by coherent policies. It is therefore necessary that all aspects of social corporate responsibility as well as a horizontal coordination of different policies for sustainable development in Sub-Saharan Africa are streamlined in a coherent approach in order to maximise the potential benefits.
– *Information exchange and coherence*. The EU and the US should simplify funding mechanisms that are often considered complex, as a means to boost PPPs. Lack of clear information can make it difficult for companies to submit tenders and implement their projects. The EU should create a transnational forum of dialogue between international and local private investors and different government representative bodies. The better the political forum and dialogue, the

more readily business will be able to play a facilitating role in the formulation, implementation and monitoring of economic policies as governments will shape a favourable climate for investment.

– *SMEs link with multinationals*. When facilitating public-private partnership trough institutional frameworks, the EU should also ensure that small and medium-sized enterprises, which constitute the great majority of companies working in developing countries, are also linked with bigger firms. SMEs could learn from bigger firms how to comply with the intricate market regulations of other countries. Hence attention must be given to this connection as not only mega-projects but also smaller private initiatives should fall under the scope of the Africa-EU Partnership.
– *Energy*. The EU and the US should improve access to energy for developing countries by catalysing investment in both small- and large-scale PPP projects on energy production and interconnection. It is vital for Sub-Saharan countries to strike a balance between large infrastructure projects that harness economies of scale, and off-grid solutions that provide electricity access to remote areas. Another aspect to take into consideration is the coherence and compatibility of policy goals. Namely, a reflection on how the EU and the US should properly frame PPPs in Sub-Saharan Africa for the objective of energy supply for trade, domestic consumption and the transition towards a low-carbon economy.
– *Climate change*. In line with their commitment to harness climate change, Europe and the US should engage developing countries on the same low-carbon emission targets. There has been a long-standing clash between developing and developed countries over climate change. In several international conferences developing countries refused to commit to any reduction in the level of emissions before reaching a comparable level of development, denouncing their historical responsibility in raising the level of pollution. Developed countries consider that climate change issue can be harnessed only in tandem with developing countries (especially China). Sub-Saharan countries' level of poverty makes their citizens the most vulnerable and the first to pay the expenses for climate change. Europe and the US should streamline in PPP projects a

preference for renewable energy, which Africans have in abundance, provide their experience on energy efficiency and carbon emission reduction, and insist on the maximum sustainability of fossil fuel production.

– *Agriculture*. PPPs in large commercial agriculture may have a role in the overall strategy of poverty eradication. However Europe and the US have to ensure that any agricultural investment builds rather than undermines the climate and socio-environment resilience of local communities. Private investments are also very important for smallholder agriculture, which constitutes the basis for the Sub-Saharan African economy and needs to be promoted through an enabling environment and preventing land grabbing with unfair or no compensation. Land competition for the use of biodiesel fuel also needs to be addressed in the European and the American cooperation framework for Africa.
– *Infrastructures*. Capital-intensive infrastructure projects are typically effective under PPPs in regard to multi-stakeholder financial leverage capability. Interconnection infrastructures like roads, bridges, etc., are a cross-cutting priority as they generate great positive spillover effects to all layers of the economy. It is urgent for the EU to implement the EU-Africa Infrastructure Partnership launched in Addis Ababa on 24 October 2007. This is especially pertinent in the face of increasing competition with China, which favours PPPs in infrastructure for Africa over other sectorial projects and has proven little concern for social and environmental project sustainability.

• *Democracy promotion and good governance*. A healthy regulatory environment helps establish the right conditions for private and public actors to have a positive development impact. In particular it can help offset the risks and uncertainty associated with PPPs – and avoid the costs of such risks being borne by the tax payer or the most vulnerable parts of the population.

PPPs experience ongoing challenges in relation to transparency and accountability. As such the EU and US should help strengthen the role of internal and external monitoring and accountability structures for PPPs, and particularly the role of the accounting officer and auditing offices/commissions, to oversee the proper implementation, management, enforcement and reporting of PPP agreements.

Parliaments and other oversight mechanisms must be able to act as a check on the executive by scrutinising PPPs and contributing to strong implementation of local legislations that regulate them. In their dealings with African partners it is therefore essential that both the EU and US policy-makers stress not only the political importance of parliamentary actors but actively include parliamentary oversight of PPPs in support of all their initiatives. The EU must pay increased attention and provide technical assistance to the role of African parliaments to audit and monitor PPPs, not only when the contract is awarded but throughout the life cycle of the project.

In recognition of the impact of corruption and malpractice on the business environment and trust between PPPs and their beneficiaries, particularly civil society, the EU and the US could focus their support for the development of incentive structures that reward honesty and transparency. Where European companies are involved, the EU could ensure a harmonised legislative approach in Europe to investigate and punish bribery practices, delays in delivering within agreed time frames and abuse of public funds.

Contractual disputes are not rare in PPPs. When partnering with African parties, the EU and the US should help local partners bring dispute resolution mechanisms related to PPPs in line with international practices and requirements, given the expectation of large-scale investments from the foreign private sector.

In view of the essential role played by local authorities and grassroots customer organisations, the EU should ensure that effective stakeholder consultation is part and parcel of any PPPs involving EU companies. Acting as an "honest broker" in PPPs, the EU could provide dedicated support to non-State actors and community organisations through training and capacity building, including in negotiation and monitoring techniques and convening support that helps management of expectations.

As an effective participant and stakeholder in upholding the Busan partnership for effective development, the EU should pay increased attention to how PPPs foster or hinder inclusive development partnerships. Particular attention should be paid to gender inequality as a key area of exclusion (OECD and UNDP 2014:58), and the EU should engage partner countries in ensuring that public expenditures are targeted to promote development benefits for both men and women.

In the case of large scale-agricultural PPPs, the EU and US need to recognise that many African countries suffer from poor land governance and stalled or incomplete land reform. Where EU companies are involved in large-scale agricultural PPPs, the EU should ensure that EU companies are forced to conduct an independent local livelihood impact assessment (including progress out of poverty indicators within investment areas) prior to engaging in the partnerships. In addition observers' organisations should be included in governance arrangements to monitor implementation and impact of the projects. Independent dispute resolution mechanisms must also be put in place that can uphold the rights of women's groups and small-scale farmers.

- *Peace and security*. In recognition of the complexity and the specificity of the security challenges affecting Sub-Saharan Africa, the EU, the US and other external actors should promote the exploitation of alternative security strategies to tackle terrorism, crime and conflict. These strategies should aim at encouraging and regulating public-private partnerships and increasing the involvement of non-State actors in their design and implementation.

Civil society and the business sector have demonstrated the will to participate as active partners in projects aimed at tackling governmental shortages in capabilities and resources in their efforts to reduce vulnerabilities and enhance the level of security. The EU, in cooperation with the US and other security actors operating in the African continent, should encourage these joint ventures in the fight against terrorism and crime.

In the fight against terrorism, issues of data protection and information sharing should be addressed through clear guidelines concerning the release of sensitive information by public authorities to the private actors involved and minimum standards on the retention and use of such information. The EU could put best practices on information sharing protocols at the disposal of African partners in order to set out principles and rules. Adequate incentives should also be provided to the private sector to further encourage its engagement in the security field through tax relief and specific training on the benefits of security investments. Moreover, a greater involvement of civil society can be fostered by the EU through the development of counter-terrorism strategies in Sub-Saharan Africa that are focused on the prevention of radicalisation and violent extremism rather than State-led military actions. The EU should also reinforce these aspects in its external financial programmes and include specific actions that are directed at local NGOs and other organisations in Sub-Saharan Africa.

There is a tendency by governments in Sub-Saharan Africa to rely on private security companies for the protection of critical infrastructure, the fight against crime and the management of prisons. These kinds of PPPs are beneficial for the local populations only if they are correctly regulated and implemented, as they are a burden on tax payers and affect the rights of citizens. The EU, the US and other external donors should insist on the necessity to adopt adequate judicial frameworks to regulate the participation of private security companies, the awarding of contracts and the provision of services on the basis of the principles of transparency and accountability. On these aspects, the involvement in PPPs of civil society organisations with evaluation and monitoring functions should be encouraged.

Depending on the nature of crises, various forms of PPPs including business community and different types of NGOs have been experimented with by Sub-Saharan countries and regional organisations for conflict prevention, crisis management and peacebuilding actions. The EU, the US and other security actors should increasingly recognise that the inclusion of business actors in peace and security strategies can be beneficial for providing additional resources and developing multi-level and multi-dimensional responses. At the same time, specific challenges related to the involvement of private interests should be taken into account with a view to not harming civil populations and local communities through divisive and business-focused interventions. The EU should improve its knowledge of local realities, interest groups and social dynamics, also by relying on the expertise of civil society actors, and should discourage predatory practices among stakeholders.

The Africa-EU Partnership on Peace and Security should be reinforced so as to create effective channels of interaction and impact of civil society organisations in its implementation. The EU, in cooperation with the African partners, should establish easier and more structured mechanisms to guarantee access of civil society organisations to regional and continental institutions. At the same time, the EU should work with the US and other donors to promote stronger synergies and rationalise financial instruments directed at civil society actors engaged in security in Africa.

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Printed in November 2015
with technology *print on demand*
at the press centre Nuova Cultura Rome
p.le Aldo Moro n. 5, 00185 Rome
www.nuovacultura.it

for orders: ordini@nuovacultura.it

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