An Appraisal of the New Partnership for Africa's Development (NEPAD) Lesson from Ghana : Model for other Africa's Countries under the African Peer Review Mechanism (APRM)

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ABSTRACT

According to Osuntokun (2002), "the survival of man on this terrestrial habitat would depend on how rapidly he changes his activities in relation to nature". In the light of making changes the New Partnership for Africa's Development (NEPAD) was initiated for coordinated development of African state; on this basis, this study examined the relevance of NEPAD in relation with African Peer Review Mechanism (APRM) to Africa's development and poverty reduction.

In this study, development initiative before the introduction of NEPAD was examined to identify the need for the new face and the place of civil society, public-private partnership association in Africa. Against this backdrop, NEPAD was appraised, using Ghana's model of application. In achieving this, the study adopted a descriptive method of analysis relying on secondary sources of data gathering. In conclusion, a balanced framework of inclusive partnership cooperation between the public, private and civil society is recommended for African development.

Keywords: NEPAD, APRM, African development

INTRODUCTION

The New Partnership for Africa's Development (NEPAD) reflected the recognition of the need for a bold continental strategy for sustained growth and poverty reduction. Such a programme would also serve as a framework for regional action and a guide to national development policy and programmes. NEPAD incorporates the principles of transparency, accountability, good democratic governance, good economic and corporate governance, participatory development, economic empowerment and self-reliance, ownership and partnership – principles deemed vital for sustained growth and development. In particular, NEPAD opens the way for the creation of an enabling environment for stimulating growth, as it aims to address some of the major issues that have hampered Africa's development. It is important as an instrument for stimulating the growth of African countries such as Nigeria, particularly since it sets in motion a new, holistic approach that includes long-term strategies to deal with wide-ranging issues such as peace and security, political governance, and corporate governance and business practices as an integral aspect of creating an enabling environment for Africa's growth.

NEPAD and African Development

The whole idea of NEPAD is co-ordinate development rather than the haphazard country specific current economic planning and development which have put Africa in a bind, a kind of warp of regression and under-development. Thus, the concept, goals and ideas of NEPAD were canvassed among African leaders as a new approach at sustainable development. The ideological orientation of NEPAD, and its perspective on the role of the state in the

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development process, cannot be understood without considering the shift in thinking that has taken place in the neo-liberal institutions, especially the World Bank, in recent years. During the 1970s and 1980s these institutions demonized state intervention in the economy, but by the late 1990s they began to admit that the state had a role to play and that its capacity to do so needed to be enhanced. This change came from inside the neo-liberal institutions themselves. At the World Bank, Joseph -Stiglitz led the move away from the "Washington consensus", with its rejection of state intervention, when he criticised neo-liberal theory for not recognising the important role of the state in enhancing human capital and promoting development. What Stiglitz proposed was a mode of partnership between the state, the private sector and civil society.

For him an effective development strategy 'must include components aimed at developing the private sector, the state (the public sector), the community, the family, and the individual' (Stiglitz 1998:24; Onis and Senses 2003). This self-critique was a result of various factors, but the most prominent was the failure of SAPs in Africa compared to the "economic miracle" that took place during the same period in several East-Asian countries in which the state played an important role.

Development Initiatives before NEPAD: A Critical Review

A review of African development plans before NEPAD reveals that there were significant gaps in dealing with these elements. When the African development predicament emerged at the end of the seventies and the beginning of the eighties, African governments responded with the Lagos Plan of Action (LPA). As a product of its historical moment the LPA reflected the African development thought of that time, with its emphasis on collective self reliance and state-led development. In this view the state was the leading actor and should bear the burden of elaborating the social, economic and cultural policies that enable the mobilisation of the resources and capabilities of the country. The LPA also emphasised the role of the state in the fair distribution of both development burdens and benefits. Although it did not explicitly discuss the role of the state in development, the LPA made it clear that the state was both part of the development crisis and the main agent for its resolution. The strategies that had been adopted by African states were, according to the LPA, mainly responsible for the crisis. Although the LPA provided for African integration, it did not adequately address the crucial elements for African development namely, capacity, autonomy and partnership. While concentrating on sectoral programmes, the Lagos plan did not adopt a detailed strategy for building the capacity of domestic institutions in African countries. Thus lack of external support and internal flaws led to the less successful implementation of the LPA.

Back to NEPAD, many analysts and commentators share the view that its ideological orientation is based on the neo-liberal mode of development (Tandon 2002; Arthur 2003). However this orientation reflects the post-Washinton consensus; it does not explicitly aim at eroding the role of the state, as claimed by some African analysts, but instead advocates a partnership between state, market and civil society, with the main emphasis on the first two actors. NEPAD's language concerning the roles of the state and the market represents a compromise between the language of the Millennium Partnership for the African Recovery Programme (MAP), which emphasised the role of the state and the importance of building the capacity of its institutions (Department of Trade and Industry 2001) and that of UNECA's Compact for African Recovery, which praised the role of the private sector and advocated a healthy private sector as a solution for Africa's economic predicament (Economic Commission for Africa 2001). These two documents, with the addition of the OMEGA plan, were the main sources of NEPAD's thinking. The compromise language of NEPAD is clear throughout the document. While it praises the neo-liberal development model and argues that

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the increasing commitment of African states to market-oriented economies is a sign of hope and progress (NEPAD 2001: 7), it also notes that the role and capacity of the state are matters of concern. According to the document, 'the weak state remains a major constraint on sustainable development in a number of countries. Indeed, one of Africa's major challenges is to strengthen the capacity to govern and to develop long-term policies' (NEPAD 2001: 23). It is also now an official objective of NEPAD to establish a technical unit in each African country, administered by African experts rather than experts from international financial institutions, to help build institutional capacity in all state institutions. While hundreds of papers have been written on NEPAD, very few are concerned with the implementation steps needed to ensure state capacity-building. There is a danger that NEPAD may gradually drift into being little more than a series of routine meetings and celebrative gatherings that accomplish little and do not attract the attention of many. Regarding the issue of state-private sector partnership, some practical steps have been taken. NEPAD is clear in urging 'dialogue between the government and the private sector to develop a shared vision of economic development strategy and remove constraints on private sector development' (NEPAD 2001: 164). In this spirit the NEPAD Business Group (NBG) for Africa was created on the margins of the International Conference on Financing for Development in March 2002 in Monterrey, Mexico. The NBG has undertaken a number of initiatives that are currently at different stages of implementation, including the Investment Climate Facility for Africa, the development of a Small Medium Micro Enterprises (SMME) Strategy for Africa and the Seal of Good Corporate Governance (NEPAD 2003/2004: 40-41). Other national NEPAD business initiatives have been formed. In South Africa the NEPAD Business Group has developed four "covenants", namely, Corporate Governance, Corporate Social Responsibility, Elimination of Corruption and Bribery and Accounting and Auditing Practices (NEPAD 2002: 67). NBGs in Lesotho, Nigeria and Kenya have recently followed suit (NEPAD 2003/2004: 41).

The Role of Civil Society in Public-Private Partnerships

While the partnership between the state and the private sector, and the initiatives taken to promote the role of the latter, have received a lot of attention, both rhetorically and practically, in the last four years, the question of the role of civil society has not attracted the same level of concern. Those documents that discuss the role of civil society tend to put emphasis on the integration of the sector in the NEPAD process as a channel for popular participation rather than on civil society's potential as a partner in development. Thus, as a way of approaching civil society activists and addressing criticism over the lack of popular participation, the NEPAD Secretariat has held a number of conferences to promote the involvement of community-based organisations (CBOs) in NEPAD implementation. However true partnership between the state and civil society needs to establish a dialogue between the two actors for discussing development policies and priorities and specifying the developmental role that civil society, especially CBOs, can play in meeting the needs of local communities. Some partial initiatives have been taken to address this issue. One example is the cooperation between the NEPAD Secretariat and the International Fund for Agriculture Development to support to promote the participation of farmers' associations in policy formulation for increased productivity and enhanced market access. Nevertheless NEPAD's vision in regard to civil society participation in development remains less ambitious than previous initiatives, especially those related to the African Charter for Popular participation in Development.

The African Peer Review Mechanism and the Sharing of Best Development Practices

The African Peer Review Mechanism (APRM) has the potential to be an effective mechanism for sharing best practices in the relationship between government, business and

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civil society. However the debate over the APRM has so far focused on issues such as sovereignty, African solidarity vs. peer pressure to promote good governance, punitive vs. non-punitive actions in dealing with non-compliance and big states vs. weak states (Cilliers 2002, 2003; Akokpari 2003; Tawfik and Kajee 2005). Little attention has been given to the potential of the APRM in highlighting the laws, institutions and practices that need to be reformed to develop a better climate for both public-private partnerships (Farlam 2005), although a central connotation of "peer review", as derived from the OECD, is the sharing of best practices. It is against this background that the South African Institute of International Affairs (SAIIA) conducted a study on public-private partnerships to assess some African experiences in that regard. Their assessment shows that the most successful partnerships have been characterised by thorough planning, good communication, strong commitment from both parties and effective monitoring, regulation and enforcement by government. The study also shows that governments need appropriate legal and regulatory frameworks to build capacity at various levels to plan, draft, implement and monitor successful partnerships. However it was noted that no single judgment can be made on public-private partnerships; under the right conditions, and in the right sectors, PPPs can offer value for money to governments and good opportunities for investors, but governments need to undertake thorough feasibility studies, develop appropriate and rigorous regulatory frameworks, tackle corruption and demonstrate strong political commitment (Farlam 2005: 43-65).

State and Development in Africa

Different explanations have been presented to explain the African development crisis that has prevailed since the end of the seventies. For some the explanation is to be found in the theory of the post-colonial state. In this view the post-independence African state retains many of the features of the colonial state, especially the state's dominant role in the political and economic realms, and is characterised, as Jean Bayart argues, by the "politics of the belly", which refers to the networks of clientalist relations that control the post-colonial state (Bayart 1993). This interpretation served as a theoretical premise for structural adjustment programmes (SAPs) that aimed, as many African analysts maintain, to undermine the role of the state and had the effect of making the weak states of Africa even weaker, leading, as Bade Onimode (1995) put it, to the strategic erosion of the state in Africa. For Mkandawire and Soludo the neo-liberal theoretical premise of SAPs, which depicts the state as the source of all evils, is simplistic. Demonising local elites and seeing their policies as merely the result of agency do not reflect the actual causes of the economic predicament in Africa.

Lessons from Ghana's Economic History

Review of the outcomes and sources of transformation suggests that the pathways through which these forces shape transformation differ across countries. This diversity is often the consequence of the interactions among initial conditions such as a country's social, political, and institutional arrangements; the initial economic structure; and the policies and strategies implemented during the transformation process. Therefore, economists are increasingly promoting a country-specific approach in the quest to better understand development and identify growth opportunities and constraints on prosperity (Rodrik 2003). This approach focuses on the dynamics of development, where "history matters, change is central, structures are endogenous, and learning is at the heart of the story" (Stern, Dethier, and Rogers 2005, 86).

A Short Preindependence Economic History (1880-1957)

The foundation of Ghana's economic structure was laid in the late 19th and early 20th centuries. This structure has shaped the country's development path for more than a century

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and will likely continue to play an important role in future growth and transformation. Although small scale local gold mining, the export of palm oil and rubber, and local production of consumer goods (food, textiles, etc.) characterized the Ghanaian economy before 1880, the period between 1880 and 1914 saw a rapid expansion of cocoa, gold, and timber production (Green 1987; Berry 1993). The land area under cocoa expanded rapidly, and exports rose from 13 tons in 1895 to 5,093 tons in 1905 and reached a volume of 50,000 tons by 1914 (Hill 1997). European investments in mines and transportation infrastructure permitted rapid growth of exports of gold and timber (McLaughlin and Owusu-Ansah 1995). In addition to shaping Ghana's export structure, this period also marked the beginning of high import intensity in Ghana's economy. The newly established infrastructure and trade links led to the displacement of many locally produced goods with imports from Europe. After World War I, the colonial government stepped up the use of export revenues for investments in economic and social infrastructure, including railways, a deep sea harbor, water supply systems, schools, hospitals, communication, and electricity (Berry 1993). These new investments supported the acceleration of export-led growth until the Great Depression, which caused a sharp fall in global commodity prices and halted or reversed growth in Ghana. Severe limitations on shipping and trade during World War II explain why growth did not return to the country until the late 1940s. Rising international commodity prices after the war stimulated the resurgence of Ghana's traditional exports and led to a renewed expansion of production, especially of timber and cocoa. By the end of the 1940s, Ghana had become the world's largest cocoa exporter, supplying more than half of the world's cocoa, and also a major exporter of timber and gold. By the time Ghana achieved independence in 1957, a process of peaceful political transition and one of the best infrastructure and education systems in Africa suggested good prospects for the country's economic development and transformation.

The President's Development Vision Succeeded, though His Strategies Failed

As the first African country that gained independence, Ghana was seen as the hope and example for the whole continent. Although many criticize the policies pursued by Dr. Kwame Nkrumah, Ghana's first president, his vision to unite the country and build a modern industrialized country is widely recognized. Measured by per capita income, Ghana was at a development level similar to those of Indonesia, Malaysia, South Korea, and Thailand after they achieved independence in the late 1950s and early 1960s. Moreover, Ghana was rich in foreign exchange reserves due to its global dominance in cocoa exports (and exports of gold). With these initial conditions, the leadership of Ghana deeply believed in a modernization strategy that was led by the state, a strategy that was commonly accepted by almost all developing countries at the time. Until the late 1980s, the dominating role of the state in transformation was also almost unquestioned by the governments following Nkrumah, many of which took power through a series of coups d'états.

After five decades of post independence experience lessons drawn from this development period (which extended until the late 1980s), few question Nkrumah's vision for Ghana to become a modern developed country. Yet many also agree that the state-led modernization strategy failed and that it was indeed infeasible for Ghana given its initial conditions. The failure of this strategy to create a modern industrial sector in Ghana (as in many other countries) has made people realize that although modernization needs huge capital investments to create the physical foundation for a modern industrial sector, modernization goes beyond capital accumulation. Many contributors to An Economic History of Ghana also agree that the strategy of stabilization and privatization in the 1980s and early 1990s

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improved macroeconomic stability but without complementary measures failed to spark broader modernization.

State-Led Development Policies Continued through Various Regimes Despite Their Rhetoric

A change in the development path of state-led modernization was complicated by the frequency and disruptiveness of government changes until 1992. The two governments following the Nkrumah administration (1967–72) attempted to reverse some of Nkrumah's ISI policies and intended to implement a more market-oriented and private sector- driven approach. However, their industrialization strategy continued to be biased in favor of capital-intensive sectors, and the attempts at privatizing SOEs largely failed. In the agricultural sector, a shift of focus from large-scale agriculture toward small holders was also short lived and ineffective. The administration of Ignatius Kutu Acheampong (1972–78) refocused on national self-sufficiency to address the accelerating economic decline and the rise in poverty. There were then two more presidents and one military coup before the government under Lieutenant Jerry Rawlings decided to adopt an Economic Recovery Program (ERP) and shift away from state-led development. Political stability under democratic governance was finally restored by a new constitution in 1992, the year in which Rawlings was elected president in the first free and fair election since 1960.

Political Instability Also Eroded Institutional Memory and Capacity in the Civil Service

Ghana's political instability and discontinuity also weakened and politicized its civil service. Ghana's first president, Nkrumah, inherited a capable civil service on independence. Nkrumah's perception that the civil service was not loyal to him led him to Africanize the service by placing Ghanaians in leadership positions (Cato 2008). The frequent change in governments thereafter often went hand in hand with changes in top civil service positions. These frequent changes in staff eroded the civil service from "custodians of institutional memory" (Chinery-Hesse 2008, 36) to an often demoralized staff with deteriorating skills. They also cultivated a climate in which loyalty to specific governments became more important than competence and the assignment of civil service positions became a way to reward political supporters. This produced a class of opportunistic policy advisers who feared that their "wings would be clipped" (Cato 2008, 25), as well as civil servants with deteriorating skills. Finally, this politicization of the civil service has exacerbated the disruption created by transfers of power by holding back documents, files, and information from one government to the other.

Macroeconomic Stability Alone Has Not Been Enough to Accelerate Modernization

The ERP initiated in 1983 marked the first comprehensive attempt to achieve macroeconomic stabilization and to increase the role of the private sector in transformation. The ERP was Ghana's version of an IMF / World Bank SAP and started with a series of macroeconomic stabilization measures. The exchange rate was adjusted from a highly overvalued rate of 2.75 cedi per $1 in 1982 to 36.97 cedi per $1 in 1984 (IMF 2008). The increasing cost of imports was partly offset by the abolition or reduction of import taxes, from an average level of 40 percent to 10 percent (Leechor 1994). The elimination of subsidies combined with a tax reform based on a broadening of the tax base restored fiscal discipline and led to a small budget surplus in 1986. Inflation came down from more than 100 percent in 1983 to levels of around 30 percent in the following years (IMF 2008). However, a lack of commitment by the government to fully implement the ERP (Omtzigt 2008) and its one-sided focus on correcting price discrepancies and improving price incentives limited the impacts of the ERP on modernization (see the following sections on agriculture and industrialization). The country

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has failed to attract FDI in manufacturing; the response to the efforts of the government to improve the investment code and strengthen property rights has been limited, particularly in manufacturing, which is central to Ghanaian desire to transform the economy (Aryeetey 2008).

Ghana's Development Goals Have Often Been Too Ambitious Ghana Has Often Been Impatient and Set Ambitious Development Goals That It Has Failed to Aggressively Pursue

The approach of the various governments has not been consistent. Governments in Ghana have often been too ambitious and unfocused in pursuing their goals, and there has often been a "rush to claim success" (Aryeetey 2008, 86). For example, Nkrumah's government converted a 10-year plan inherited from the colonial government into a 5-year plan with the consequence of rapid depletion of reserves and massive accumulation of public debt. It is also argued that Ghana tried to industrialize prematurely and pursued this course for several decades unsuccessfully. Sir Arthur Lewis was the first to advise the government to be more patient with industrialization in his report to the government in 1953. Along the line of his dual economy theory, Lewis argued that due to the country's land abundance labor was too expensive, and unless surplus labor was available, industrialization was not feasible.

Ghana Has Often Not Set Realistic Development Goals Adapted to Local Conditions

The development of realistic policies also requires knowledge of local conditions. Yet many governments in Africa (including Ghana) have not done their "homework" by understanding and analyzing the country's situation before designing their strategies (Aryeetey 2008, 82). In many cases, governments have simply implemented policies that have proved successful in other countries or used policies proposed by outsiders as a blueprint for development without taking their own judgment and the country's local conditions sufficiently into account. Although there is debate as to how much choice governments had, given the conditionalities attached to the SAP loans, it is widely accepted that the development of the capacity and culture to design and implement policies owned by the country and the ability to negotiate with donors on an equal intellectual level is critical for success. But a comprehensive approach to developing strategies is now taking root in Ghana (Aryeetey 2008). Economic management of the country in general has improved (Akoto-Osei 2008).

The Earlier Strategies Did Not Seek Broad-Based Agricultural Development

Agricultural Development in the Immediate Post independence Era Narrowly Focused on Foreign Exchange Earnings from Cocoa and Public Investments in Large-Scale Farming Revenues from cocoa exports were key to finance state-led industrialization and continued to play an important role in the government budget. However, the Cocoa Marketing Board, originally founded to administer the notoriously volatile world market prices, has often been used to extract unsustainably high taxes from cocoa farmers for the general government budget rather than for price stabilization. In addition, agricultural policies have often been biased against small-scale farmers and non–cocoa export agriculture. Public investments and policies favored the creation of state-owned farms and cooperatives, and subsidies for agricultural mechanization, services, and inputs explicitly targeted large-scale farms. Overvalued exchange rates reduced the competitiveness of export agriculture and thereby discouraged agricultural export diversification.

Piecemeal Approaches to Agricultural Development Offered Limited Benefits

The first government with an explicit focus on agriculture and rural development was that of Kofi Abref Busia (1969–72), which shifted away from the focus on cocoa and large farms by

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investing in rural infrastructure such as roads, electrification, and rural water. In an attempt to focus more on small scale agriculture, agricultural SOEs were dismantled and their machinery and equipment sold to private farmers. However, the failure to link these programs to an increase in agricultural productivity rendered them largely ineffective. In addition, these policies were short lived, and instead of continuing and complementing the agricultural policies of his predecessor with Green Revolution–type measures, Acheampong (1972–78) reversed much of the smallholder focus, reduced agricultural spending, and returned to largescale production bias and mechanization under Operation Feed Yourself.

The Private Sector Played an Important Role in Industrialization State-Led Capital-Intensive Industrialization Did Not Work for Ghana

The absence of a strong private sector in Ghana has been used as an argument to modernize the economy on the backs of SOEs. However, the performance of these SOEs has often been disappointing, and hundreds of SOEs never managed to operate profitably or never even started operating at all. Although some efforts have been made to determine market demand with consumer surveys based on which factories have been built, there have been many examples of bad planning and implementation in the process. For example, a mango cannery was built that had a capacity to produce several times the world demand for canned mangoes (Omtzigt 2008). Despite these failures and the change in rhetoric that emphasized more market-oriented strategies in the 1970s, it was not until the 1990s that an intensive program of state divestiture of the SOEs got under way. Two of the few remnants of SOE development that are still operating today are the Akosombo hydropower dam and the VALCO aluminum smelter.

Experiences from Asian countries have shown that private-sector-led manufacturing and service-sector growth that is "homegrown" is likely to be more consistent with a country's initial conditions. Hence, homegrown manufacturing and service sectors take full advantage of the country's comparative advantage in the expansion process and are also likely to lead to broad-based growth (Breisinger and Diao 2008).

The Public Sector Has to Play an Active Role in Providing Incentives for Modernization

The ERP begun in 1983 focused on macroeconomic stability and indirect measures to attract private capital for industrial development. Reestablishing fiscal stability required a reduction and reallocation of the government budgets and hence development strategies focused on indirect measures to stimulate growth. Priority in public investment allocation was given to the transportation, communication, and electrification sectors. In addition, a new regulation such as those facilitating the repatriation of profits, tax breaks on intermediate inputs, and so on, attempted to attract capital for investments. These measures were most successful in the mining sector (gold), an enclave sector with few linkages and employment opportunities, yet failed to spark private investments in manufacturing.

Lessons for Ghana from Successfully Transforming Countries

The stylized facts characterizing the process of economic transformation remain meaningful indicators of successful transformation. Productivity-led growth, capital investments, and strong linkages, markets, and institutions are still the key to this success. Six major lessons emerge from these transformation experiences for Ghana:

1. Transformation is characterized by rapid economic growth, which generally raises the income levels of the poorest population groups. However, the persistence of poverty and increasing income inequality in many transformed economies exposes the limitations of welfare measures based solely on per capita income. Rapidly increasing

inequalities call for a broader definition of the transformation process and the incorporation of wider-ranging goals for development. However, income divergence was pronounced during the growth collapses or slowdowns in many Latin American and African countries, indicating the importance of constant and sustained growth.

2. With this new understanding of transformation, the next important message is that the role of agriculture in transformation seems to be even more important today than it was four decades ago. Although Schultz and other agricultural and general economists have recognized the important contribution of agricultural transformation to the development process, today we see that this contribution is also perfectly consistent with the role of agriculture in shared growth and the reduction of poverty and inequality. Bypassing small farmers during the process of agricultural modernization marginalizes a large segment of the rural population and is likely to lead to social tensions. It also complicates long-term poverty reduction and improvements in income inequality, even after the country as a whole reaches middle-income status.
3. Productivity growth led by the adoption of modern technology is key to economy wide and agricultural transformation. Smallholder farmers are entrepreneurs and became vanguards in the adoption of new technologies and in increasing agricultural productivity during the Green Revolution in many Asian countries. However, smallholders face many external constraints that cannot be overcome by their own strengths, and therefore they need supportive government policies and public investments. The most important policy action must be the removal of urban- and industry-biased policies regarding trade, marketing, taxes, and other macroeconomic factors. The most important public investment must be in rural infrastructure, including irrigation, and the provision of agricultural research and extension to a majority of farmers.
4. Growth in manufacturing and services must be led by the private sector and supported by government policies and public investments. Improving the physical and institutional environment is critical to providing incentives for the private sector to do business and create competition. Winner-picking industrialization strategies and related policies may help create a large industrial sector, but this sector often fails to establish close links with the rest of the economy. Moreover, the creation of this sector comes at high direct and indirect costs, especially with regard to agricultural transformation. Increased inequality and difficulties in making these "picked" industrial sectors internationally competitive and capable of generating sustainable long-term economic growth have taught painful lessons about this type of transformation strategy.
5. Private-sector-led manufacturing- and service-sector growth, which is more "homegrown" in nature, is likely to be more consistent with a country's initial condition and its comparative advantage in exports; hence, it can lead to broad-based growth. This type of transformation was seen in Thailand in the 1960s and 1970s and in China in the 1980s, during the early periods of sustained rapid growth in these countries. Moreover, this industrialization path is often more labor intensive and usually creates strong linkages with the rest of the economy, particularly with agriculture, by using agricultural materials as inputs. In fact, manufacturing often develops in rural areas in the form of rural nonfarm activities, and the creation of rural manufacturing has often played an important role in poverty reduction and rural transformation.

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6. FDI can play an important role during transformation, both directly through an increase in capital investments and indirectly through spillover effects. The direct effect seems to be rather small in the early stages of transformation, and the indirect effects of positive externalities, including technological spillovers, human capital formation from learning by doing, and the crowding-in of domestic investments associated with FDI, seem to play a more important role than do the direct effects of increased capital availability. Using these general findings on the process of transformation, the next is specific lessons from Ghana's country-specific experience.

CONCLUSION AND RECOMMENDED

A development model that depends only on the state only is not adequate for socio-economic development, but depending totally on the market cannot maintain a fair distribution of resources or help fight poverty. Balancing the two models and civil society partnership which must include components aimed at developing the private sector, the state (the public sector), the community, the family, and the individual' is recommended for all African countries according to Stiglitz (1998:24) and Onis and Senses (2003) taking a leaf from Ghana. However it requires governments to fight corruption, ensure transparency and develop technical expertise to negotiate the terms of cooperation with the private sector and the private sector to act with social responsibility and play its role in African development.

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