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African Economic Conference 2010
Agenda for Africa's Economic Recovery and Long Term Growth

Statement

by

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**Your Excellency, Mr. Mohammed Ghannouchi, Prime Minister of the Republic of
Tunisia,**

Distinguished Ladies and Gentlemen

Dear friends

I am very pleased to be here in Tunis for this year's African Economic Conference where we will be deliberating on the theme '*Agenda for Africa's Economic Recovery and Long Term Growth*'. The organization of yet another session of the African Economic Conference reflects the on-going strong partnership by all stakeholders in support of Africa's socio-economic development.

Let me at the outset thank you, Mr. Prime Minister, for your presence at this conference as well as for the hospitality extended to us all in this beautiful country. Kindly extend our warmest wishes and appreciation to His Excellency, President Ben Ali as well as to the government and people of Tunisia.

Mr. Prime Minister, Tunis is a city which always provides an enabling environment for dialogue and debate on major challenges facing our continent. We are grateful for your presence among us which inspires, facilitates and encourages our deliberations. Once again, thank you Mr. Prime Minister.

I am particularly glad also to be here with key collaborators in promoting Africa's development. I salute the chairperson of the African Development Group Dr. Donald Kaberuka, who was recently re-elected and who managed to transform AfDB into the preeminent financial institution of the continent during the last five years. The AfDB Group, under his leadership, works relentlessly to support African countries' efforts towards promoting Africa's socio economic

development. Our three major pan African institutions, the African Union Commission, the AfDB and the UNECA, are active partners on various joint initiatives as illustrated by the present conference. We have just signed an agreement to operationalise the joint AU/AfDB/ECA Secretariat under whose auspices we organized the recently concluded 7th African Development Forum on the theme “Taking action on climate change for sustainable development in Africa” from 10 to 15 October 2010. The outcomes of the forum will undoubtedly contribute to a viable African response to the challenge of climate change which includes the creation of a Green Fund at the AfDB.

I also warmly acknowledge the presence of my good friend and keen supporter of Africa’s development aspirations, Mr. Pascal Lamy, Director of the World Trade Organization. This year, UNDP is joining us in the organisation of this conference. We missed Helen Clark’s presence, UNDP Administrator, who is represented by our colleague Mr. Tegegnetwork Getu, Regional Director for Africa. The Development Bank of Southern Africa is a key sponsor of this Conference and I wish to express appreciation to it through Mr. Ravi Naidoo, Executive Vice-President, Development Planning who is here with us.

The theme of this Conference is very apt in the sense that it captures the dual nature of the challenge facing Africa which is to recover fully from the global economic and financial crisis while at the same time needing to establish an agenda for long term growth. It is not at all evident that the policies put in place to enable economic recovery are sufficient for a medium to long-term growth agenda. Africa’s experience with short-term stabilization measures in the 1980s and 1990s proved costly to its long-term development prospects. It is accordingly wise to take short-run recovery and long-term growth together.

Perceptions about Africa's growth performance during the current crisis have been mainly positive as the continent has shown resilience by growing at about 2% last year, with growth expected to average over 5% per annum this year and the next. This economic success has been accompanied by an improved climate of peace and security and governance conditions. This encouraging performance has been the subject of glowing reviews by leading global research companies and Africa's potential as a destination for investment is set to be discussed at the next G20 Summit taking place in Seoul, Korea next month.

While Africa's robust performance in this trying times is to be commended, its policymakers must remain vigilant as the global economic outlook compels caution. Quite apart from the fact that 5% growth is not enough to bring about the rapid and condensed growth needed to substantially reduce poverty in the short to medium term, grave risks remain in the horizon for the global economy. Global leaders must continue to bear in mind that just as globalization was seen as a rising tide that lifts all boats, it can just as easily spread contagion and crisis.

Indeed, fiscal consolidation and austerity in key developed economies portend reduced global demand and a double dip recession with direct implications for Africa's export earnings and for much needed official development assistance. Quantitative easing elsewhere may lead investors to travel the globe seeking best returns which heralds overvalued currencies and asset bubbles in emerging and developing economies. The whole issue of the global imbalances that contributed to the crisis in the first place still remains to be meaningfully addressed. And, if I am sounding somewhat pessimistic, you only needed to have seen the headline of last week's 'The Economist' magazine which read "Currency Wars".

There is however no need for us to panic. What is required at this point in time is the sort of international economic cooperation and multilateral spirit envisaged in the post-War era of the 1940s. Every effort must be made to avoid a descent into competitive devaluations and an accompanying trade war. Moreover, the commitments made to developing countries at the London Summit of the G20 especially with providing financial support, greater voice and representation and increased policy space for developing countries need to be operationalized.

From the perspective of Africa, the key thing is to maintain the macroeconomic policies that have kept us in fairly good stead during the crisis. We should also continue to seek or use policy space to better handle balance of payments pressures and manage capital account inflows where appropriate. It would also be important for us to use our admittedly limited voice in international economic processes to resist any moves towards protectionism and push for the conclusion of the Doha Round, whose promise was to be supportive of development and for whose realization Pascal Lamy continues to fight, negotiate and encourage

Ultimately, short-term economic recovery in Africa should set the stage for longer term economic and social transformation. In moving forward therefore, I highlight four key elements that are in my view vital for putting African countries on a path of long-term sustainable growth. These relate to the imperative of regional integration, better planning, economic diversification and mobilization of financial resources.

Ever so often, Africa's economic prospects are likened to those of Brazil, China and India. Africa's total population of nearly one billion is in the same range as China and India. Similarly, its Gross Domestic Product in 2008 was \$1.6 trillion which is comparable to that of Brazil, Russia and India. Such comparisons are

welcome especially for the positive message that they convey about increasing economic opportunity in Africa. However, they must be tempered by the reality that Africa is a continent and not a country.

The implications of comparing the potential of a combination of over fifty countries with large but single countries must take account of the obstacles posed by borders, different policies, and a variety of currency regimes. This year's Assessing Regional Integration in Africa Report reveals that high trade and transport costs and poor physical infrastructure contribute to a low level of intra-Africa trade. Simply put, therefore, such barriers to commerce and industry make a faster and deeper process of integration imperative for Africa's long term development.

This distinguished audience will recall that the just finalized review of the MDGs stressed that much remains to be done if Africa is to meet the goals, particularly with regard to poverty and health related targets. A basic lesson to be drawn from successful development experiences is that sustained poverty reduction depends on a fast pace of economic growth, which takes account of income distribution and job creation.

The pressing nature of these objectives, Africa's unhappy experience with market fundamentalist type approaches and the role played by developed country governments during the current crisis have encouraged a more strategic role for the state including a return to planning in the continent. A properly conceived and inclusive planning process fully involving and drawing upon the strengths of the private sector is vital to rallying people behind a common vision and desired outcomes as well as for improving coordination and matching development

needs with resource requirements. Plans are also important for aligning national development objectives to global trends.

Closely related is the use of planning to assist the process of diversifying African economies. There is interesting evidence of diversification of production and trade flows in the continent. Africa's recent economic performance is due not only to external demand for commodities but also as a result of growth in services such as banking, telecommunications, tourism, and construction. There has been a substantial geographical diversification of trade as Africa's trade with Asia now takes up to 27% of Africa's exports as compared to 14% in 2000. This is similar to the ratio of Africa's exports to the United States and Europe, its traditional trading partners.

The point though is that while there has been some diversification, it is still not enough with regard to the transformation of domestic economic structures. Productive capacity development and the utilization of science, technology and innovation to create value added are central for this transformation process to happen. What we have now in many of our countries including some of the larger economies is a manufacturing sector that contributes less than 10% to Gross Domestic Product and in some cases less than 5%.

Development finance is the last but not least of the factors that I would want to specify as being key for Africa's long-term development. Indeed, Tunis being the home of the African Development Bank, I have saved the best for last. It goes without saying that Africa needs financial resources to backstop production, facilitate trade activities, build infrastructure and provide the social services including education and health that must necessarily underpin long-term development.

However, given the current economic crisis and the desire of African countries for greater policy space, it is evident that traditional sources of finance such as official development assistance, loans and capital inflows must be increasingly matched by domestic resources. If we consider that Africa's combined consumer spending was up to \$860 billion in 2008 while its combined reserves were in region of \$470 billion at the end of last year then there is certainly scope for increased domestic resource mobilization in the continent and our challenge while seeking increased investment and ODA flows is to find ways of using such resources effectively.

To sum up, Africa must not allow the current crisis to detract from its efforts at long-term development. We must continue to focus on the economic transformation of this continent by making full use of national endowments, common objectives and global opportunities. Our vision for a transformed and integrated African economy with first class infrastructure that is able to generate sustainable and job-creating growth and provide social services for its people must remain unwavering. Of course, in our search for policy prescriptions to transform African economies, we must continue build on the giant strides that have been made to bring about democratic and accountable states in Africa.

I wish you successful deliberations and take this opportunity to salute several of you for your continuous support as well as active participation in this annual event. I can see many familiar faces who are always with us, including to name a few, Prof. Ndungu, Governor of Central Bank of Kenya, Prof. Lyakurwa of AERC and Prof. Balliamoun of University of North Florida. Let me also express our appreciation to all officials from all the partner institutions who worked hard to make this event a reality. Thank you.