

Statement by Mr. Abdoulie Janneh, UN Under-Secretary-General and Executive Secretary of ECA

12 November 2009
Addis Ababa, Ethiopia

Your Excellency, Ato Meles Zenawi, Prime Minister of the Federal Democratic Republic of Ethiopia,
Your Excellency, Dr. Jean Ping, Chairperson of the African Union Commission,
Your Excellency, Dr. Donald Kaberuka, President of the African Development Bank Group,
Distinguished Ladies and Gentlemen

I am pleased to welcome you to the United Nations Conference Centre here in Addis Ababa for the 2009 African Economic Conference (AEC), which has become the leading forum for an exchange of views on economic and development matters for practitioners working on African issues. Its role in highlighting innovative research has become even more critical because of the current economic and financial crisis.

Let me start by thanking our Prime Minister for joining us here today. His keen analytical insights on issues pertaining to African development have become increasingly clear to all given the first-rate leadership that he has provided to Africa in G20 processes and climate change negotiations. Mr. Prime Minister, our continent is facing extraordinary times and challenges and you have here an impressive collective intellectual capacity of Africans and friends of Africa who are waiting to hear from you on how to support African member States in their efforts to deal with this current state of affairs.

I also want to thank my friends and brothers, Dr. Jean Ping and Dr. Donald Kaberuka for their constant cooperation and collaboration with ECA to promote Africa's socio-economic development. The partnership between our three institutions is at an all-time high and will be further strengthened by activities such as this.

Last year's African Economic Conference was dominated by outbreak of the financial crisis and the need for an urgent and collective response by African countries. We have come a long way since then in assessing the impact of the crisis on growth, export earnings, financial flows and social development. Indeed, as a result of arrangements that were jointly put in place by the AUC, AfDB and ECA, Africa's concerns were tabled at the G20 Summits in London and Pittsburgh and very credible results were achieved.

It is now trite to say that this crisis presents an opportunity. Permit me, however, to use this phrase one more time because I strongly believe that the current economic and financial crisis does provide us with a good opportunity to re-direct Africa's development trajectory to make growth more enduring and sustainable. This is because a crisis concentrates the mind and forces us all to consider options that were previously considered as impractical, overambitious or not deemed as urgent. We are now compelled to come up with policy options that would enable African countries to surpass the 6% annual growth achieved prior to the financial crisis.

Although Africa's financial systems were relatively immune to the effects of the global financial meltdown, the continent was badly hit by second round effects especially falling export earnings and the drying up of financial flows. What this points to is that previous growth, while benefiting

from improved macroeconomic management, was largely dependent on commodity exports and resources flows from outside the continent. It is also evident that the dominant paradigm in economics proved inadequate for responding to the global crisis for both developed and developing economies.

Indeed, Paul Krugman, who won the Nobel Prize in Economics last year asked "*How Did Economists Get It So Wrong?*" in a recent column in the New York Times. His argument basically was that a '*romanticized and sanitized vision of the economy*' which mistook beauty for truth caused '*blindness to the very possibility of catastrophic failures in market economy.*' This perspective may very well be true for economists consumed with protecting the theoretical wholeness of their subject but could not be said to be the same for development practitioners especially those working in Africa.

Several commentators, including Albert Hirschman, so many years ago, had warned about the dangers of mono-economics. This view recognizes that due to development and institutional differences, the right macroeconomic framework for developed countries differs substantially from what is best suited to developing economies. ECA itself had led the work on AAF-SAP as Africa's alternative to the vision laid out in structural adjustment programmes. We should therefore bear this perspective in mind as we ponder on how best to foster development in Africa during this crisis era. Issues such as policy space, measurement of progress, and management of the global commons come to mind as being worthy of our attention in this regard.

The question of policy space has come up very often in the recent past with regard to the scope for developing countries to undertake counter-cyclical policies in response to the global crisis. This is a direct result of the adoption of stimulus packages by developed and emerging economies in response to the crisis. However, there is the more fundamental issue of whether constraining the policy choices of African countries through conditionalities or international norms and processes will enable them to achieve desired development. In the heyday of unbounded liberalization, commentators such as Thomas Friedman had in fact recommended that developing countries should don the 'golden straitjacket' of reducing government, privatizing enterprises and adopting international rules in key economic sectors.

However, the experience of emerging markets in other parts of the world shows that countries have tended to achieve enduring growth through the process of internationally competitive industrialization. This was often achieved by active public measures to support the building of productive capabilities, which are urgently needed to reverse the de-industrialization experienced in Africa since the adoption of structural adjustment programmes in the 1980s. Accordingly this conference should help to shift the economic policy debate in Africa from the current focus on orthodox stabilization to a policy stance that enables macroeconomic policies to support production and trade processes and employment.

In doing so, we would no doubt want to contribute to the on-going discussion on what actually constitutes progress and how best to measure improvements in national economic performance. The work of the Commission on the Measurement of Economic Performance and Social Progress set up by President Sarkozy of France and led by Joseph Stiglitz and Amartya Sen, both Nobel Prize winners points to the inadequacies of measuring progress through the growth of Gross Domestic Product. In discussing this matter, we should not, of course, forget that the UNDP Human Development Index was developed partly in response to this challenge.

This matter is particularly relevant in the case of Africa where the growth that took place before the crisis was characterized as jobless. Such jobless growth was the outcome of high concentration of

economic activity in capital intensive extractive sectors and there is certainly something wrong with persistently high growth rates that do not reduce poverty or provide employment opportunities. Indeed, the goal of policy should be to improve human welfare including by taking account of the cost of environmental degradation arising from economic activities.

This leads us to management of the global commons typified mostly these days by the issue of climate change. From a development perspective, the key issue is how to best balance the interests of Africa, which is most affected by climate change and most in need of development with those of more advanced economies whose progress was propelled by activities contributing to climate change. Mitigation is in Africa's interests because allowing the globe to reach the tipping point of 20 Celsius would be disastrous. Adaptation is imperative for Africa's long-term development but it is costly which is why equitable and predictable financing mechanisms are an essential part of any post-Kyoto deal. Then there is the whole inter-temporal dimension of how to balance the desire of the present generation for maximum growth and prosperity with the interests of future generations.

These are some of the key items that need to be addressed if we are to put the continent on the path of enduring and sustainable development. The danger of course is that we may go back to business as usual with recent predictions including that of the IMF showing that growth in Africa could be restored to 4% next year and even reach 5% in 2011. It would therefore be important as we ponder on this possibility to examine whether the expected growth will follow the beaten path or foster a new dynamic for African development that will enable the achievement of the MDGs and improve economic opportunities for ordinary Africans.

It is equally necessary to pay particular attention to the degree of external dependence of African countries. A topical issue regarding resources flows to Africa is the whole debate about dependence on official development assistance, with some writers doubting the effectiveness of ODA in the past while others wonder if ODA in its present form can contribute to lasting development in Africa. This is an issue that will no doubt continue to engage us but meanwhile the idea of using ODA in support of counter-cyclical spending in African countries has emerged and merits similar attention.

Africa, on its part, must explore ways and means of increased development financing from domestic resources, which is why the 2009 Joint AU/ECA Conference of Ministers of Finance, Planning and Economic Development chose the theme - "*Enhancing the effectiveness of fiscal policy in domestic resource mobilization*". Ministers recognized that the global economic and financial crisis had changed the international environment in which they designed and implemented policies. They therefore committed themselves to exploring the options for domestic resource mobilization taking into account factors such as improved fiscal policies, better tax administration, continued good governance and strengthening of domestic financial systems.

To sum up, Africa must continue to focus on promoting high level, sustainable and job-creating growth, irrespective of the economic and financial crisis. Indeed, too much of a focus on the crisis may cause us to lose sight of the development challenge that we face. ECA on its part will continue in partnership with the AUC and AfDB to provide the necessary research and advisory services to member States and Regional Economic Communities that must perforce underpin the transformation of Africa.

I wish you a very successful and enriching Conference. Thank you for your kind attention.