



African Economic Conference 2011
Green Economy and Structural Transformation in Africa

Opening Statement by

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Check Against Delivery

Master of Ceremony,
Your Excellencies, ladies and gentlemen

On behalf of the UNDP Administrator I am happy to welcome you to the African Economic Conference 2011. UNDP is proud to co-organize this annual event with our partners from the African Development Bank and the Economic Commission for Africa. I am very happy to see the growing number of speakers and participants and I look forward to four days of stimulating discussions.

As we enter the second decade of the 21st century, there is much to celebrate about the recent economic performance of African economies. According to the African Economic Outlook, which we produce jointly with the co-organizers of this conference and the OECD, Africa grew on average 5% per year for nearly a decade prior to 2009, compared with stagnation and even reversals in income per capita during the 1980s and 1990s. The region is now consistently ranked among the top performers in terms of generating economic growth. The AEO projections suggest that robust growth for this year. In sub-Saharan Africa, the AEO projects 5.7 percent growth for 2011 – excluding Ivory Coast, up from 5 percent in 2010. For the continent as a whole, the AEO projects 5.8 percent growth for 2012.

The good economic performance projected for this year and next is underpinned by strong domestic demand, the continuation of improved economic policies in most African countries, and an expectation of political stability and avoidance of major conflicts. The external context is also generally favourable to the continent, with high commodity prices helping net exporters of oil and minerals, as well as exports of some agricultural products (especially cocoa, coffee, and cotton).

Yet, we cannot be complacent. Among the downside risks to growth in Africa is the prospect of worsening economic conditions in developed economies. Concerns remain about the European debt crisis and growth has yet to pick up steam in North America. Emerging economies are doing well, but they still do not represent enough of the global economy – and of the trade and financial transactions with Africa – to compensate fully for an eventual sharp drop in demand from developed countries.

If these downside risks materialize, the continent may be facing some of the same challenges it encountered during the 2008-2009 global recession. While many African countries fared well – those less integrated through trade or finance into the global economy – others were hit hard, especially middle-income and oil-exporting economies.

Two other risks – not continent-wide but affecting several African countries – relate to inflationary pressures and the potential for political instability.

Inflation is high and increasing in a number of countries, especially in East Africa. Rapid demand growth is coming against supply constraints and high commodity, especially food, prices driven by external and local factors (for example, the drought in the Horn of Africa) are adding to inflationary pressures.

Political instability remains a threat to the economic performance of the continent, as the events in North Africa and elsewhere in the continent this year illustrated so dramatically. Risks are often heightened at the time of elections, and next year there will be at least 15 countries with either presidential, parliamentary, or local elections.

This conference is looking beyond the shorter term economic prospects for the continent and into one of the biggest issues facing Africa and the world today: How to promote structural transformation for sustainable development?

The timing of the conference is particularly timely. The Africa regional preparatory conference for the UN Conference on Sustainable Development was held yesterday and today. African leaders debated how to take a common position to Rio +20 that effectively integrates the economic, social and environmental pillars that make up sustainable development. This carries forward already on-going initiatives by the African Union and the NEPAD Agency.

The transition to a green economy needs to be managed in such a way that growth is sustained, and that the benefits from the growth process we have seen in terms of falling poverty levels in Africa in recent years, are further enhanced. As we discuss in detail in the African Economic Outlook—economic growth in Africa is less effective in

terms of reducing poverty than in other regions. Making the growth process more green and making it more inclusive are two objectives that must go hand in hand.

No doubt a green global economy is critical for advancing the well-being of current and future generations especially in Africa. Countries that have the highest levels of human development also have the largest ecological footprint and the highest carbon emissions. But for Africa the opposite is the case; the continent has the lowest level of human development of all regions and contributes the least to the impacts of unsustainable global practices, yet the continent is also the most vulnerable to climate change.

African countries must achieve much-needed advances in human development without replicating the unsustainable practices of those already there. And they need to improve the utilisation of their natural resources, including the new discoveries of minerals and hydro-carbons, such that critical environmental systems functions that are preserved and so that the human development of current and future generations is maximised.

The move towards more sustainable development will need to consider the short and long term social development and environmental costs of some current economic activities.

If necessary, direct regulation must be applied and mechanisms for compliance put in place. This will mean that the costs of environmental degradation and pollution are internalised and borne by those who are responsible for it, that utilisation of natural resources is done at sustainable rates, and that critical thresholds are not crossed.

It is particularly important to create a stable regulatory environment that gives the right signals to the private sector to avoid unsustainable practices, and to stimulate new technologies and businesses. Public and private investment will need to flow to these activities, but it will be more difficult to mobilize private financing in a context of regulatory uncertainty.

It is important to recognize that there will be costs and that some segments of the population will need support during the adjustment process. It will therefore be critical to put in place mechanisms that cushion especially the most vulnerable during the transition to more sustainable economies.

The longer term impacts on human development from this transition are likely to be substantial. For instance, universal access to clean energy will cause less stress on the environment on which the poor are so dependent, free-up valuable time such as that spent by women and children collecting fire-wood, reduce illnesses from indoor respiratory diseases, and generate the power needed by small businesses.

More efficient management of natural resources is particularly critical for Africa. With demand growing for raw materials and high prices of commodities, with improved techniques for survey and exploration, and with more political stability, more and more African countries are looking to develop their extractive industries and to mine their natural resource wealth. Managing the risks of natural resource extraction means that countries will need to first effectively capture the rents and then make wise use of these rents.

In a sustainable and inclusive growth process this will imply spending some of the rents on the pressing consumption needs of the poorest, while investing substantially in other types of capital, especially in health, education and infrastructure that can expand and diversify the productive sector of the economy.

It is a particular challenge for policy makers and experts at this conference to come together with practical tools and empirical evidence on how to strengthen regional, national and sub-national policies to stimulate this transition.

From the side of UNDP and other sister agencies, we remain committed to working with African countries to meet the national needs and priorities for sustainable development in Africa. We will leverage our experience in supporting countries in measuring human development, tracking the MDGs and support the work on new and better measures of sustainable development.

Our role as knowledge-broker and facilitator of South-South solutions, in partnership with colleagues at the African Union, AFDB, UNECA and other institutions, will remain essential in our support to develop country-owned strategies for achieving agreed sustainable development goals and targets.

Once again, I welcome you and wish you a very productive 2011 African Economic Conference.