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Subregional Office for Eastern Africa

Bureau Sous-Régional pour l'Afrique de l'Est

SRO-EA

**Launch of the African Economic Outlook 2008/2009,
Kigali, 28 July 2009**

Closing Remarks

by Antonio Pedro, Director of UNECA/SRO-EA

Mr Chairman,

Mr Jacob Dicko Mukete, Resident Representative of the African Development Bank,

Invited Guests,

Dear Participants

On behalf of the United Nations Economic Commission for Africa and on my own behalf, it gives me a great pleasure and indeed a great honour, to address this gathering and make the closing remarks at this launching of the African Economic Outlook (AEO) Report for 2008/2009.

As the new Director of the Sub-Regional Office for Eastern Africa of ECA, let me first pay tribute to the Republic of Rwanda, its President and its people, for the peaceful environment and for the hospitality that has been rendered to me which has made my stay in this beautiful country the most comfortable one. I am impressed by the dynamism and vitality of the country and its growth trajectory. This resonates well with me, because as Mozambican I have also witnessed, in my country, growth and recovery after devastation.

As stated earlier, this Report on the African Economic Outlook for the year 2008/2009 is a result of joint efforts of the AfDB, OECD and UNECA, with the financial support from the European Commission. The AfDB is our strategic partner in many fronts and our collaboration with the OECD and the European Commission is also strong.

In these closing remarks, I will attempt to link the process which was unleashed by the global economic downturn which started in the second semester of 2008 with the theme of the report and then offer some insight on how to frame the future.

The AEO provides a comprehensive analysis of economic, social and political developments in Africa, as well as outlines the prospects and offers pertinent recommendations for the way forward.

As indicated in the report, the international environment, in particular the global financial crisis in which the world currently finds itself has affected the economic prospects of the continent, including Eastern Africa. Economic growth in Africa will decline by half between 2008 and 2009. The Eastern Africa sub-region which in the past was outperforming other sub-regions has started showing signs of faltering. Economic growth in the sub-region slowed down from 6.3 percent in 2007 to 5.7 percent in 2008 and projections indicate a further decline to 5.0 percent in 2009.

Despite improved macroeconomic policy implementation and good performance in some sectors, such as finance, telecommunications and construction, and the expansion in agriculture, many countries in the sub-region are vulnerable because of their over-reliance on commodity exports. The global crisis affected demand of commodities, impacted on prices and has thus exacerbated this vulnerability. Declines in Official Development Assistance (ODA), foreign direct investment and remittances have compounded the situation.

Mr Chairman,

Dear Guests,

Ladies and Gentlemen,

To address the vagaries of commodity price vulnerability, African economies need to diversify, using their comparative advantage rooted on their rich natural resources endowments to build competitive advantages, modern, resilient and knowledge-based economies. The sustainability and success of this development path depend on favourable external and internal factors as well as proactive and deliberate actions from key stakeholders, particularly governments. Specifically, action is required to:

- Facilitate and nurture human resources development and skills formation;
- Provide supporting infrastructure including roads, rail ports, energy and water supply;
- Foster the establishment of a critical mass of key similar, related and/or associated industry players that collaborate and compete to improve the initial factor advantages and to enhance competency, innovation and diversification;
- Promote local beneficiation and value addition;
- Establish an industrial base through backward and forward linkages;
- Encourage and support small and medium-scale enterprises to enter the supply chain with a view to avoiding the creation of enclave industries;
- Increase private sector confidence and participation;
- Facilitate research and development (R&D) and build knowledge networks and niches involving academia, industry, the government and other players;
- Harness the potential of Public Private Partnerships (PPPs); and
- Explore opportunities offered by regional integration and cooperation.

Continued innovation and human resources development are key to reducing the dependence on the initial factor endowment and to building and sustaining a competitive and diversified economy, locally embedded. Conversely, where there is underdeveloped human, knowledge, physical and institutional capital, governance deficiencies, insufficient innovation systems and technology awareness and progress, inefficient economic and business organization, it is impossible to turn the initial factor endowment into a platform to build successful clusters and diversified economies. You would agree with me that to build this, ICTs play an important role.

In this respect, we look forward to collaborating with the Rwandese government in reviewing NICI II and formulating NICI III. Building on the success of NICI I and II, NICI III should establish platforms for technology innovation, simplification of business processes to reduce transaction costs and render the economy more competitive. This calls for integrated and sector wide approaches.

The role of regional cooperation and integration in reducing transaction costs, establishing intra-regional synergies, enhancing competitiveness and realizing economies of scale that would catalyse development should not be underestimated. However, for goods, services, capital and other factors to freely flow in a regional space, there is need to expedite intra-regional harmonization of laws, regulations and fiscal regimes, among other critical factors.

Mr Chairman,

Dear Guests,

Ladies and Gentlemen,

I would like to end my remarks by offering a word on regional cooperation in the financial sphere. I am referring here to the need for countries in the region to coordinate their domestic economic stimulation packages to make them more coherent and mutually reinforcing in achieving a set of development goals. Aligning policies and reaching a common position to gain fiscal space on the use of countercyclical measures in the downturn period could be a good starting point. Equally important is the need to formulate sub-regional contingency plans to respond quickly to liquidity and capitalization problems of domestic financial institutions which have reduced their long term lending portfolio. Thirdly, consideration should be given to a sub-regional trade financing facility to address concerns that recession in developed countries will significantly restrict trade as trade credit dries up. Fourthly, governments must take action to institute or to improve on the delivery of cash transfer programmes and other social protection mechanisms. Lastly, the potential contribution of innovation and ICT to economic growth, productivity and efficiency of public services has to be recognized and strengthened.

Mr Chairman,

Dear Guests,

Ladies and Gentlemen,

To conclude, I wish to reiterate that the Sub-regional Office for Eastern Africa of ECA will continue to accompany and support countries in the sub-region in the formulation of appropriate policies and strategies in the areas of macroeconomic convergence, food security, natural resources management, ICT development, transport infrastructure development to name a few. In deploying our services and programmes, we always favour partnerships, particularly with our strategic partners such as the AfDB.

Allow me on behalf of ECA, the AfDB and OECD, through you to thank His Excellency James Musoni, Minister of Finance and Economic Planning of Rwanda for honouring this launching with his presence. I wish also to thank the speakers, discussants and all of you for your contribution to this event.

Thank you all for your kind attention.