18 percent - too low as share of investment in Africa's GDP

Yaounde, 03 July 2014 (ECA) - African nations must diversify and increase the sources of their growth on both the supply and demand sides of the economy for such growth to be both sustainable and transformative to the continent's people, harped an ECA official today as he presented UNCTAD's Economic Development in Africa Report for 2014, to journalists in Cameroon's capital, Yaoundé.

According to Mr Joseph Baricako, ECA's Economic Affairs officer who passed off the key messages of the report to the media and development stakeholders, the document clearly states that to effectively reduce poverty, Africa needs to aim for at least a 7 per cent annual growth in the middle and long term. And this warrants at least a 25 per cent share of investment in any country's GDP, not the 18 per cent investment share the continent now witnesses.

To achieve this goal, the UNCTAD document released on the theme "Catalysing Investment for Transformative Growth in Africa" states that it will not suffice to increase the volume of investment in Africa, but to increase productivity or the quality of investment and ensuring that it goes to strategic and priority sectors of an economy. These include infrastructure and the productive sectors which would ensure that growth is attained with a corresponding diversification of the economy and structural transformation.

Unfortunately, the report says, growth in Africa during the last decades has mostly happened through consumption, without any real impact on job creation, and the reduction in levels of poverty and inequality. This necessitated the repeated calls by the Economic Commission for Africa (ECA) in concordance with UNCTAD, for structural transformation.

Aside from calling on African countries to ensure that investment goes to strategic or priority areas, the report recommends that these states should increase the level and rate of public investment especially by improving financial intermediation, expanding access to affordable credit and improving the policy framework and the general investment climate. The document also calls for improvements in productive levels or the quality of investment, the strengthening of links between local and foreign companies, the control of capital flight and the promotion of investment through aid and trade.
