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Economic Commission for Africa

High-Level Regional Consultative Meeting on Financing for Development and Preparatory Meeting for the Third UN Conference on LDCs

Report on Preparations for the Third UN Conference on LDCs

15-17 November 2000
Addis Ababa, Ethiopia

Introduction

1. The High Level Regional Consultative Meeting on Financing for Development and Preparatory Meeting for the Third United Nations Conference on the Least Developed Countries was held in Addis Ababa, Ethiopia, from 15 to 17 November 2000. The meeting was formally opened by Mr. Sufian Ahmed, Minister for Finance of the Federal Democratic Republic of Ethiopia. Mr. K.Y. Amoako, Executive Secretary of the Economic Commission for Africa, also made an opening statement.

2. In his opening statement, the Minister highlighted the importance of Africa being adequately prepared for the two important UN events scheduled for 2001 and early 2002. This was particularly important in view of the continuing economic and social problems persisting in many parts of Africa and its marginalization from the global economy. The Minister noted that Africa faced serious difficulties in mobilizing development finance, especially in the face of declining Official Development Assistance (ODA) and the persisting debt problem. The situation had been worsened by the HIV/AIDS pandemic and there was need for concerted efforts by Africa and its development partners to address the problem by adopting comprehensive and concrete measures.

3. In his opening remarks, the Executive Secretary of the Economic Commission for Africa, Mr. K. Y. Amoako, reiterated the importance of the meeting and urged the participants to undertake a comprehensive analysis of the issues and make concrete recommendations that will shape Africa's position in the two major United Nations conferences. He then outlined the challenges facing Africa and the importance of development finance in addressing them.

4. Mr. Amoako noted that while poverty was declining in other parts of the world, it was growing in Africa. He added that in order to achieve the internationally accepted target of halving poverty by 2015, Africa needed to grow by about 8 percent per year, double the rate attained in the last five years. In order to achieve this, the ratio of investment to GDP would have to rise from the current level of 19 percent to a minimum of 25 percent and, given the state of African economies, it was unlikely that they could find the resources to meet this target from domestic sources.

5. Despite these problems, Africa was not doomed to failure. A few African countries had shown that it was possible to undertake sustainable economic reforms and attain structural diversification and thereby reduce poverty significantly. Their experiences were an important lesson for the rest of Africa. His remaining remarks outlined some of the key issues and questions to be addressed in the meeting.

6. Following the opening session, the meeting was conducted in Plenary Sessions organized around specific themes. The key issues, conclusions and recommendations of each of the plenary sessions are presented below. The recommendations emanating from the meeting were subsequently presented to the Eighth Session of the ECA Conference of Ministers of Finance held from 21 to 22 November 2000, and informed the Conference discussions on the issues on its agenda. Thereafter, the Conference of African Ministers of Finance adopted a ministerial statement, herewith attached in Annex 1.

7. The discussions on "Mobilizing Domestic Resources for Development" were led by a panel comprising Mr. Hussein Mubarak, a representative from the Bureau of Preparatory Committee (PREPCOM) on Financing for Development (FfD); and the lead discussant, Mr. Temitope Oshikoya of the African Development Bank. Dr. Ernest Aryeetey of the University of Ghana moderated the session.

8. A brief background to the Conference on FfD was presented to the panel and delegates were updated on the preparatory process. Discussions then focused on the importance of domestic resource mobilization for the economic and social development of Africa, the reasons why domestic resources and especially savings were low, and the policy measures that were needed to increase them. It was noted that while the recent growth performance of most African countries was encouraging, it was important to intensify efforts for further improvement if the goal of reducing poverty by half by 2015 was to be achieved. In this regard, in order to attain the required GDP growth rate for poverty reduction of at least 7 percent, an investment rate equivalent to 33 percent of GDP was required. Mobilization of both domestic as well as external financial resources was critical in meeting this requirement.

9. Moreover, it was observed that for countries having experienced economic growth and development, domestic savings constituted an important share of investment and for this reason, African countries themselves had the primary responsibility for mobilizing private and public resources for their development. Panellists pointed out that Africa was not only highly undercapitalized, with savings and investment ratios on the continent being among the lowest in the world, but, more importantly, investment was on a declining trend. For example, Gross Domestic Investment (GDI) declined from 25 percent of GDP in the 1970s to less than 20 percent in the 1990s while private investment had fallen to about 11 percent.

10. The problem of de-capitalization was most severe in low-income countries where private investment was as low as 3 percent of GDP. The savings rate also declined substantially from an average of 24 percent of GDP in the 1980s to about 15 percent in the 1990s, reflecting the

problems of low incomes, the persistence of macroeconomic and political risks, weak financial sectors, as well as demographic factors including high dependency rates. As a result, the savings/investment gap had widened from an equivalent of 1 percent of GDP in the 1980s to 4 percent in the 1990s.

Conclusions and Recommendations

11. The discussions focused on the factors that explained the low level of savings in Africa and the measures that need to be put in place to address the problem. The delegates noted that mobilizing domestic savings was only one part of the equation, for it was important to ensure that the mobilized resources were efficiently channelled to the most productive sectors. In addition to the weak financial sector and poor incentives, it was noted that low domestic savings were largely due to the low levels of income and poverty in many of the countries. It was suggested that countries should focus on broad-based growth and promote economic diversification in order to break out of this vicious circle of low incomes and savings.

12. African Governments were accordingly urged to undertake measures for attaining broad-based growth, including: the creation of an enabling environment for private sector development through good governance and sound macroeconomic policies; deepening financial sector reforms as well as strengthening bank supervision and regulation; promoting innovative financial instruments and providing access to credit; enhancing allocation of public expenditure for infrastructure, human development and capacity building; strengthening public finances by designing and enforcing effective and equitable tax systems; as well as strengthening the capacity of the state in economic management.

13. The Meeting underscored the importance of modernizing agriculture in order to raise rural household incomes. With a large majority of the African population in the agricultural sector, one of the most direct ways to increase savings was to increase household incomes. This could be achieved through transforming current subsistence agriculture to a market-based commercial activity by adopting appropriate technologies and high yielding varieties as well as efficient irrigation schemes.

14. The need for African countries to improve the available range of financial instruments for attracting and retaining domestic savings was also emphasized, as many of the current instruments tended to exclude savings options for long-term development finance. It was therefore suggested that the necessary institutional and legal infrastructure be established in order to tap savings from insurance and pension funds and channel them to the financing of long-term development projects. In this regard, it was emphasized that due consideration should be given to the role of capital markets in mobilizing both domestic and external finance. Capital markets in Africa tended to be small and

largely under capitalized. In addition to establishing the requisite legal and institutional environment for the development of capital markets, it was suggested that African countries should enhance their efforts in establishing regional stock exchanges.

15. The role and importance of micro-finance institutions in mobilizing savings and transforming rural agriculture was strongly emphasized. It was noted that financial intermediation in the rural areas was plagued by problems of economies of scale (size of loans) and information problems associated with adverse selection and moral hazard that led to high transactions costs. The Meeting suggested the use of innovative mechanisms for mobilization of domestic savings, such as the use of Rotating Savings and Credit Associations. It was also suggested that mechanisms be established to link informal micro-finance institutions with the formal financial sector in order to enhance financial intermediation.

16. The importance of ill-health and injury, particularly at the workplace, as key factors contributing to low levels of income and poverty was strongly emphasized by the meeting. This was compounded by the HIV/AIDS epidemic and the resurgence of tropical diseases, such as malaria and other communicable diseases including tuberculosis. In this regard, it was suggested that measures to combat these problems should be a key component of policies for human capital development.

17. As regards good governance, the importance of strong political leadership in economic management as well as effective state institutions was also underscored as key to mobilizing both domestic and external finance. The participants strongly called for enhanced commitment and measures to eliminate corruption and reversing capital flight.

18. The discussions on "Mobilizing International Resources for Development" were led by a panel composed of Mr. Kazem Fahmy, First Secretary in the Permanent Mission of Egypt to the United Nations in New York; Mr. Cornelius Mwalwanda, Officer-in-Charge of ECA's Economic and Social Policy Division; and Mr. Kamran. Kousari, Special Co-ordinator for Africa at UNCTAD. The panel was moderated by Mr. Diery Seck, Executive Director, Secretariat for the Institutional Support for Economic Research in Africa (SISERA), based in Dakar, Senegal.

19. The panel discussions began by reviewing the background to the two forthcoming conferences, underlining their critical importance to the economic and social development of Africa and in particular, the LDCs. It was noted that the idea for a high-level event on financing for development came to the fore in the early 1990s when ODA started to decline. Although some of the developed countries were at first reluctant

about the conferences, they were now part of the process. A detailed account of the key issues to be discussed at the meeting was presented, including mobilizing domestic and external resources for development; attracting international financial flows; external debt; the need to increase concessional flows, particularly ODA to developing countries; issues of international trade; the need to foster international co-operation for development and the issues of governance of international monetary and financial institutions.

20. Panellists underscored the critical importance of mobilizing international resources for Africa's development, and pointed out that ECA devoted the last two ministerial conferences in 1998 and 1999 to this issue. Given low domestic savings, lack of competitiveness of African products and their limited capacity to generate sufficient foreign exchange, excessive debt burdens and declining ODA flows, it would be difficult, if not impossible, for the region to meet the international target of reducing poverty by half by 2015 without a substantial increase in external assistance. This was compounded by the region's heavy dependence on imported development factors such as technology, capital goods, raw materials and spare parts.

21. Due to the low level of income, domestic savings were insufficient to finance investment to kick-start and sustain growth, as a result of which Africa and moreso Sub-Saharan Africa needed large external resource inflows. It was further pointed out that the intensive reforms that African countries had implemented were not matched by commensurate external assistance. On the contrary, ODA declined, Foreign Direct Investment (FDI) remained low and the debt burden grew more onerous. Contrasting this with actual flows, there was a large and growing gap between what was required and what was available. Panellists therefore underlined the need for large inflow of resources to provide a big push to break out of the vicious cycle of poverty. Initially these resources could come only from official sources and thus ODA would need to double from the current US$10 billion to US$20 billion per annum and maintained at least for a period of 10 years. While additional resources were necessary, the need to put in place appropriate policies and strategies for their effective utilization was important.

22. While Africa needed to reduce dependency on aid in the long term, increased aid at the initial stages was necessary to achieve this objective. ODA would be necessary to initiate the transition from aid dependency by providing resources to finance investment that would attract private capital and enable these countries to borrow from the private financial markets. While increased aid was necessary, it must also be used effectively. To this end, donor programmes need to be coherent and to focus on poverty eradication while recipient countries need to coordinate and manage public expenditure more effectively. It was further suggested that some of Africa's development partners could take the lead in financing strategic activities where they were more effective. For example, the World Bank, the African Development Bank

and the European Union could finance regional infrastructural projects such as roads that could ease supply constraints and assist in the integration of African economies.

23. Regarding other sources of finance, panellists noted that African countries were unable to attract private capital flows despite high rates of return. Although external resource inflows were declining, it was cautioned that even the actual inflows had not been used optimally. Rather than financing additional imports, inflows were used to offset financial transactions and for accumulation of reserves as a safeguard against speculative attacks on their currencies. Deteriorating terms of trade and natural shocks further aggravated the resource gap. As a result, economic performance remained erratic, and failed to improve the standard of living of the people and to increase domestic savings. In this regard, it was pointed out that Africa needed to tap into this critical source of development finance by reforming its legal, financial, and banking systems as well as investing in infrastructure, developing capital markets, and through measures to improve the policy environment for private sector development.

24. The panellists also reviewed the negative impact of external debt and the various debt initiatives designed to reduce the burden. Panellists underlined the fact that the debt burden was unsustainable and that its servicing posed a constraint on development efforts. While acknowledging the concern and initiatives taken by the global community to reduce the burden, the need to deepen the debt initiative and deliver faster debt relief was underscored. In this regard, it was critical for donors to provide more resources and not to substitute debt relief for additional ODA if the target of reducing poverty was to be attained.

25. Participants were informed of two proposals put forward by UNCTAD. The first was the setting up of an independent panel of experts of eminent persons to look into the debt problems and to recommend appropriate measures. The second proposal was for the freezing of debt service by the Highly Indebted Poor Countries (HIPC) with no interest obligation until mutually acceptable arrangements are arrived at.

26. Regarding the impact of the Asian financial crisis, it was noted that the direct impact was minimized owing to Africa not being fully integrated into the global economy. Nevertheless, Africa suffered indirectly through the decline in demand and prices for their commodities. Africa thus needed to be effectively engaged in the international financial system in order to minimize these adverse effects. On the issue of international financial governance, the exclusion of a large number of developing countries from the decision-making process was noted. In this connection, the international financial system needs to be reformed and the UN needs to assume the responsibility of developing an appropriate reform package.

Conclusions and Recommendations

27. During the discussions, particular attention was given to a number of key conceptual issues. Among them were strategies to enhance a sense of "ownership" of development assistance programmes by African countries and the consistency and complimentarity of instruments such as the Poverty Reduction Strategy Papers (PRSPs), Poverty Reduction and Growth Facility (PRGF) and the Heavily Indebted Poor Countries (HIPC) Debt Relief Initiative with Africa's development partners. The need to examine ways of mitigating the risks inherent in foreign capital flows; the role of regional institutions, such as the African Development Bank (ADB) in financing development in Africa; and the larger issues of whether economic growth in Africa should be financed domestically and externally was also stressed.

28. Regarding Africa's debt problem, there was broad agreement that Africa's current levels of debt stocks and debt service payments were *"not sustainable"* and that there was a need for a *"radical and decisive solution"*. It was agreed that debt remained a serious impediment to growth in many African countries, especially in low-income countries.

29. There was broad agreement that African countries and their development partners should continue to search for a durable and lasting solution to the African debt problem while at the same time ensuring that the resources made available by debt relief are channelled to poverty reduction. Most participants, however, favoured outright cancellation of all debt under the enhanced HIPC initiative. It was also suggested that capacity building in debt management should be provided to countries in need in order to avoid countries falling into the debt trap in the future.

30. The Meeting endorsed the need for a dialogue on two proposals put forward by UNCTAD on the debt issue. The first was the establishment of an *"independent panel of experts of eminent persons"* to look into the debt problem and to recommend appropriate measures. The second proposal was for the *"freezing of debt service by the HIPCs with no interest obligation"* until acceptable arrangements are reached.

31. Concerning Official Development Assistance (ODA), a number of proposals were advanced, such as the need for African countries to engage donors and other development partners in a new partnership that emphasized an African-driven development agenda; setting of realistic goals; and untying aid. Proposals also included targeting ODA to fund poverty reduction programmes; coordination and specialization among donors and multilateral sources of funds; and participation of target groups as modalities for improving the quality and effectiveness of aid.

32. While some participants advocated the establishment of a Marshall Plan for Africa, particularly for countries emerging from conflict, others took the view that the prospects for this were low, especially since the

cold war was over. Rather, it was suggested that Africa must lead its own development, using its own resources. In this regard, participants strongly noted the importance of reversing capital flight from Africa and stemming corruption. Proposals were also made for a form of taxation on some global currency transactions (the Tobin tax) to fund development in poor developing countries. In addition, the issues of improving aid effectiveness and redesigning the aid relationship also featured prominently.

33. Another central issue discussed was the importance of Africa deepening economic reforms in order to enhance the policy environment for aid effectiveness and attract foreign direct investment. African countries were urged to continue their reforms in order to create a conducive environment for investment. The meeting noted that Africa needs to ensure effective and efficient use of resources through creation of not only an appropriate policy environment, but also well-designed incentive systems that include improved private sector participation and increased investment in the productive sectors of the economy. In this connection, it was recalled that while military expenditures in other regions were falling, they were rising in many African countries, partly owing to civil conflicts and internal strife. African countries were urged to work with both continental institutions such as the OAU as well as regional organizations to resolve and prevent conflicts.

34. On international financial architecture, the Meeting recognized that efforts to integrate the region into the global financial system and to attract private flows through rapid liberalization of the capital accounts have resulted not in increased inflows of such capital, but in greater volatility with attendant consequences for exchange rate instability. While the proposed measures to reform the international architecture were acknowledged, such as early provision of information; the need to strengthen accountability and transparency; and the need to improve regulation and supervision; it was noted that reform should be undertaken with a view to developing a level playing field in the implementation of a rules-based system in the management of international capital flows. African countries should have a greater say in the functioning of a more transparent international financial system. The main priority for African countries was to ensure that the new international financial system facilitated efficient capital flows from developed countries to Africa. It was also suggested that multilateral organizations and institutions, such as the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), should be called upon to increase coverage for "political risks" for investments in Africa.

35. The discussions on "Africa in the Global Economy" were led by a panel composed of Mr. Marcel Namfua from the United Nations Conference for Trade and Development (UNCTAD) and Mr Jean Marc

Fortin of the World Trade Organization (WTO). Dr. Ernest Aryeetey of the University of Ghana, Legon, moderated the session.

36. In their presentations, the panellists addressed a number of important issues, including the dependence of African countries on exports of primary commodities, lack of diversification in these economies, supply constraints, problems of accessing developed country markets, and measures to enhance increased participation of these economies in the global economy.

37. It was observed that globalization was driven by more other forces in addition to trade liberalization. These include capital flows, rapid technological developments, including communication and information technology, and even international migration. The globalization process has generated opportunities as well as risks and its benefits were unevenly distributed. African countries have the least capacity to tap the opportunities resulting from globalization and thus run the risk of being bypassed and further marginalized.

38. It was agreed that the challenge was how to maximize the opportunities and minimize the risks. Increased participation in trade and investment offered opportunities for countries to draw benefits from the process of globalization. But in order to benefit, African countries need to overcome a number of constraints, including dependence on primary commodities; the prospects of which are bleak given the persistent decline of world prices, market access problems and weak productive and supply capacities that limit their ability to take advantage of trading opportunities.

39. The need for action on the part of LDCs and their development partners to overcome the various structural and other supply-side constraints, especially weak inter-sectoral linkages, low technological capacity and capability, poor economic infrastructure, poorly developed human resources, weak institutional structures, low diversification of production and exports, narrow industrial base, vulnerability to natural disasters and other environmental constraints, especially in agriculture was underscored. Improved productive capacities would also be dependent on levels of FDI and other flows, including development financing as well as sound macroeconomic policy framework. These problems cut across sectors. The following sectors were identified as potential areas for improving productive capacities and for overcoming supply-side constraints: agriculture, manufacturing and industry, mining, services, energy and water supplies.

Conclusions and Recommendations

40. In agriculture, the measures that were highlighted included strengthening the commodity sector through increased productivity and diversification to the production and processing of high-value added products, including non-traditional commodities, by investing in human resource development, infrastructure, and technological development.

In this regard, the focus should be on taking measures to improve rural education (including farmer education), and infrastructure for health provision, transport, storage and marketing. Moreover, productivity would be enhanced by providing support to adaptive research and the dissemination of research results through extension services that target farmers, adopting appropriate irrigation technologies to compliment mainly rain-fed agriculture, as well as taking appropriate measures to conserve soil fertility and rehabilitate marginal land in order to encourage farmers' adoption of high-yield varieties.

41. Other important measures proposed included: promotion of rural industries as a means to improve agricultural technology and raise rural incomes; development of commodity risk management instruments, providing facilities for rural credit for farmers to enable them to exploit new technologies and market opportunities; and addressing the gender bias in the distribution of such productive resources in agriculture such as land, credit and information/ education.

42. Industrialization based on comparative advantage was seen as the key instrument for increased participation in global trade and poverty reduction. The sector was critical to sustainable development of LDCs owing to its potential in enhancing technological capacity, promoting diversification of production and exports, and fostering inter-sectoral and inter-industry linkages. However, the sector faced critical constraints including weak technological capacity, and total dependence on imported capital and intermediate goods because of lack of intra-firm specialization and limited foreign exchange or foreign capital.

43. To address these constraints, it was suggested that governments should define an appropriate and strategic industrial policy with the requisite incentive structures to support industrialization, paying particular attention to a clearly defined and deliberate policy to support information and communications technology. The focus should be on the promotion of competitive agro-based industries in order to foster strong backward and forward linkages between industry and agriculture. In this regard, another important suggestion was to create a framework to foster horizontal and vertical ties among Small and Medium Enterprises (SMEs) in order to improve collective efficiency, stimulate learning, and facilitate their access to public goods such as infrastructure, training, information, R&D resources and financial intermediation.

44. It was also noted that industrialization efforts by African countries should be complimented and facilitated by structural adjustment in industrialized countries involving a move away from sectors and industries where they are not competitive. Such adjustments would open up new opportunities for African products.

45. With respect to market access, the initiatives by some major trading partners for LDCs through the granting of duty and quota free exports to their markets were appreciated and the following additional actions were proposed in order to broaden and deepen the market access initiative: binding market access conditions and ensuring that they are not overburdened with non-trade related conditionalities in order to make them more predictable so that they can facilitate long-term investment decisions, and making the rules of origin less stringent and harmonized to take into account the manufacturing capacity and industrial development of LDCs.

46. Another critical suggestion was effective participation by African countries and, particularly LDCs, in global trade negotiations including the international standard setting organizations. To this effect, the provision of capacity building support by developed countries was critical in the following areas: building capacities for market information to enhance knowledge of trading conditions and barriers to the markets of major trading partners; assistance to African countries in developing infrastructure for ensuring quality and conformity to international standards; and building capacity in trade negotiations in order to defend and advance African trade interests. In this regard, the Integrated Framework (IF) for trade-related technical assistance for LDCs was critical in assisting LDCs in meeting the challenge of integration into the global economy. Its effective implementation, however, required substantial funding and LDC III provided an opportunity that should be seized by the international community for renewing commitment and support to the IF.

47. Taxing exports through high tariffs of industrial and agricultural inputs could further undermine product competitiveness both locally and in foreign markets. Thus, a balance should be struck between short-term fiscal imperatives and long-term competitiveness of exports. Transitional support including in the form of balance of payments support, needs to be provided to African countries to cope with the loss of government revenues particularly where possibilities for expansion of the tax base are limited. Reconciling national, regional and multilateral trade objectives called for sequencing and timing of liberalization measures in order to maximize benefits at different levels of negotiations. This required support to capacity building at the national level through the strengthening of capacity of the Regional Economic Community secretariats in order to achieve coherence between regional and multilateral trade objectives.

48. Regional and sub-regional integration was considered as one of the strategies for the integration of African countries in the global economy. Regional cooperation and integration when combined with appropriate policy environment can stimulate trade and investment. This also provides opportunities for improved bargaining power in multilateral trade negotiations and for learning to compete in a more challenging global market. LDCs belonging to regional or sub-regional integration arrangements will need special support mechanisms and policies aimed

at enhancing their effective participation and sharing of the benefits from these arrangements. International support should therefore be extended to these efforts to make them more beneficial as instruments for capacity building in trade and investment in LDCs.

49. An important measure in this regard was for African governments to expand intra-African trade through the strengthening of sub-regional and Regional Economic Communities, and south-south cooperation through trade agreements among existing Regional Trade Agreements (RTAs) so that they could be able to gain experience for competing in the global market. This requires ensuring that LDC members of Regional Trade Agreements are provided longer transition periods in trade liberalization, and a more flexible set of rules, particularly those relating to the rules of origin in order to support the building of productive capacity to participate in meaningful and beneficial trade.

50. In addition, the extension of financial support to concrete sub-regional projects involving LDCs and non-LDCs participating in a sub-regional trade arrangement and intended to enhance the benefits of integration for LDCs was important. Such projects could include infrastructure, water and energy supplies and transport and communications.

51. At the multilateral level, African countries should seek to advance their trade and development interests through adequate coordination at the regional level and when possible by adopting common negotiating strategies in order to enhance coherence between national, regional and multilateral trade objectives.

52. Facilitating the process of LDCs seeking accession to WTO should be seen as a logical first step in integrating these countries into the global economy. Since LDCs are obliged to undergo the full rigors of the lengthy and complicated process of accession negotiations, this imposes a heavy burden on their limited human and institutional capacities. Urgent measures should therefore be taken for achieving rapid and simplified procedures for LDCs seeking accession to WTO. At a minimum, they should not be required to assume higher obligations than those applicable to WTO Members and there should be automatic eligibility of all acceding LDCs to all provisions on special and differential treatment in existing WTO arrangements.

53. The discussions on "Human Resources Development, Employment and Social Services Delivery" were led by a panel composed of Mr. G.K. Kayira, Senior Economist at the United Nations Development Programme (UNDP) in Ethiopia and Dr John D. Martin of the Department of Sustainable Development of the World Health Organization (WHO) in Geneva. Mr. Ibrahim Jabra, UNICEF Representative in Ethiopia, moderated the discussions.

54. The panellists emphasized a number of important issues, including the pivotal role of human resources in the development process; the centrality of investing in people (human capital) as the means of graduating African countries, especially the LDCs from low to middle- and higher-income levels, reducing budgetary constraints, and improving the public delivery of social services. A number of options for encouraging greater private sector participation were also identified. Emphasis was placed on the need to recognize health as both a means and an end to human resources development as well as that of social and economic development. Also observed was the need for increased international and regional co-operation in developing Africa's human resources in view of the meagre financial resources available from within these countries to undertake the responsibilities entailed by this endeavour.

55. Panellists observed that investing in people constituted the ultimate basis for the creation of wealth. Human beings are the active agents who produce other types of capital, exploit natural resources, build social, economic and political organizations and carry forward the national transformation process. Clearly, a country that was unable to develop the skills and knowledge of its people and utilize them effectively in the national economy would be unable to develop. In this regard, investing in people was critical to improving governance and resolving conflicts, reducing aid dependence and debt, strengthening partnerships, diversifying economies and increasing Africa's competitiveness in the global economy. A common feature facing most countries was the financial crisis confronting the social sector. Current patterns of education and health expenditure were unsustainable in many cases. The model of publicly subsidized social sectors was inequitable and inefficient. During the past two decades, the capacity of African governments to finance public services fell sharply. The social sector suffered in consequence, with the ratio, for example, of overall educational expenditure as a percent of GNP declining steeply compared to the amount spent on the military.

56. The changing nature of African labour markets and their impact on employment creation was also examined. It was noted that, economic growth was driven by technological change through increased individual productivity driven by the acquisition of new skills and attitudes as well as through the accumulation of knowledge itself. This would allow countries to shift from material resources-based economies to knowledge-based economies. The acquisition of technology and its application therefore requires higher skills. The challenge for African countries is not only to create productive jobs, but also to integrate in the world economy through the development of competitive skills needed in the global market place.

57. Health and its relationship to economic growth and development was another critical dimension of human resources development

explored in the discussions. In this regard, it was observed that although Africa has experienced some improvements in its health status over the past three decades, recent developments indicated a stagnation and or a deterioration in key indicators. Generally, Africa's health status indicators such as infant mortality rate, life expectancy at birth, maternal morbidity and mortality rates are among the worst in the world. Currently, health was marginal or absent from poverty reduction programmes, and Africa has been dis-investing in health as reflected in real cuts in health expenditures for most countries in the region. It was further argued that health improvements, combined with effective policies, accounted for up to a third of the growth of East Asian countries and African countries could draw important lessons from their experiences. On the other hand, ill health, particularly the HIV/AIDS pandemic as well as the increasing rates of malaria and tuberculosis infections, is having a negative impact on development at both the household and business levels. It was noted that good health raises overall productivity of the economy, reduces fertility, and increases savings. Hence, it is a means to improving economic growth directly, and through improving the environment for foreign investments and increasing competitiveness. Four important principles were enumerated on how to sustain health as a force for development: (i) all health stakeholders must play their part; (ii) good health was an important asset, especially to the poor and vulnerable groups; (iii) health was not only an end in itself, but the means to achieve broader development goals; and (iv) the importance of translating these principles into country-specific "health in development policies".

58. The floor discussions concentrated on three principal areas: education, health and employment. The delegates noted that even though these areas contribute significantly to the building of human capital needed for the region's development, the process of ensuring that their roles are fulfilled was fraught with many difficulties. The delegates also pointed out that human resource development was one of the most important instruments for improving Africa's competitiveness in the global economy. Delegates identified conflicts and human capital flight as other important factors that inhibit the effective development of human resources in most African countries. Conflicts contribute significantly to the depletion of the available and scarce human resources, thus depriving countries of the potential economic gains and development that could have been achieved. Africa has also been experiencing significant amounts of human capital flight thus making the region a training ground for the skilled manpower needed in the developed economies.

59. The delegates also raised the issue of the relevance of the current education systems in relation to the job markets, in most African countries. It was argued that a large proportion of the graduates produced by these countries' educational systems could not find jobs and in some cases were unemployable. As a result, education did not

contribute effectively to the improvement of the economic and social situation in these countries. While primary education was emphasized in educational sector programmes, especially those designed by the development partners, secondary education was equally important for the population to master most of the skills required in a modern labour market. Unfortunately, these were not always included in the programmes supported by donors and the international community. All together, this left education on the periphery of the key instruments needed in these countries to revive and sustain economic growth and development.

60. The experts reiterated the importance of health services and noted that in most African countries, health problems could bring significant paralysis to the social status of families and their extended dependants. In addition, different types of epidemics contribute to crippling the human resources and significantly reducing productivity and production in these countries. While it is obvious that several of these epidemics exist, it was pointed that emphasis is mostly placed on HIV/AIDS and not other common diseases such as Malaria that continue to ravage the population. The urgent need for further explorations into the relationships between health problems (such as the HIV/AIDS), and poverty and inequality was stressed. The issue of unequal distribution of gains of economic activities was also raised.

Conclusions and Recommendations

61. The experts were of the view that increasing investment in human resource development and providing the necessary social services to support the continued contribution of the sector to economic growth and development of African was very important. Investing in people is essential to achieve development but the participants cautioned that this is a long-term issue. The reverse causality between investment in human resource development and economic growth was emphasized, thus implying that African countries need to expend greater and more effective efforts on promoting the sector through investment in education and health. Countries should not expect immediate results when venturing in this area. In view of this, and noting the relationship between what happens at the macro-economic policy level and the overall delivery of social services, the experts recommended that African countries take cognizance of social service need in the design and formulation of their policies. In this regard, it is essential that the right incentives, including tax incentives, are made available to the private sector as an important partner and agent in increasing the provision of these services. Regional and sub-regional co-operation were recommended as means of ensuring collective efforts in the development of the necessary human resources needed for Africa's development.

62. The experts further noted that many promises relating to debt relief, increase in ODA, the HIPC initiative and others have been made, but have not been met, at least in a good number of African countries. They therefore called on the international community to take action on these outstanding promises, as this would provide more resources for these countries to continue improving their stock of human resources. The issue of quality and relevance of investment in the social service sector, especially in education, was raised. In that regard, it was observed that the issue of relevance should be related to the demands of the job market and employment opportunities existing in particular countries. Equally, countries should ensure that their educational system is oriented towards producing a skill-mix designed to meet the labour market needs of all sectors, including the rural sector while at the same time putting in place incentives to prevent brain drain.

63. Another central issue was that of compensation for brain drain. It was noted that this issue had been raised in the past but had not been effectively pursued. The experts recommended that the issue of compensating countries of origin for human capital depletion should be raised both during the High- Level International Intergovernmental Event on Financing for Development, and the Third United Nations Conference on LDCs. It was felt that this should be brought to the fore again since brain drain continued to be a problem, as it depletes a significant fraction of available human resources for development in most African countries.

64. On employment, it was noted that it was a vital means towards fighting poverty and reducing the level of conflicts in any society. In this regard, the meeting recommended that governments should invest in establishing an enabling environment for the private sector to thrive and thus create employment. Moreover, the contribution of the informal sector, which is thriving in quite a number of countries was highlighted. Enhancing the activities of the sector will serve as an avenue for the creation of more jobs for many unemployed Africans both in quantitative and qualitative terms. The experts also reiterated the importance of effective leadership and good governance in establishing an enabling environment for economic growth.

65. Deploring the fact that conflicts deplete substantial amounts of human, physical and financial resources in the affected countries, the meeting recommended reviewing the Secretary General's 1998 report on the causes of conflict and using that as the departure point in search for durable peace in Africa. Such a review would require that African countries together form a working group.

66. The discussions on "Food Security and Sustainable Natural Resources Management" were led by a panel comprising Professor Paulina Mankinwa-Adebusoye, Director of the Food Security and Sustainable Development Division (FSSDD) ECA, who chaired the session; Mr. George Mburathi, FAO Representative to ECA and the OAU; and Mr. Israel Sembawje, Senior Population Officer of FSSDD. The session was moderated by Dr. Rudolph A. Polson, Regional Coordinator of the Southern Africa Development Community (SADC) Food Security and Rural Development Hub.

67. The panel presentation began by reviewing the new and difficult challenges facing African agriculture and environmental management at the dawn of the new millennium. Given its past history of poor performance and weak response, it was important that new ideas and innovative approaches be adopted to address these problems. It was noted that thinking beyond traditional conventions and pushing further the intellectual frontier are required. This was because the sector was an important engine of economic growth being the primary source of income for more than 70 percent of the continent's population, the source of raw material for industries and a key source of export earnings. With imminent globalization and international competitiveness, new strategies and policies were needed if the sector was to be an important vehicle for reducing rural poverty.

68. The presentation subsequently focused on the global challenges facing African agriculture. The importance of agriculture in the African economy was underscored, in particular, for food security. The contrasting regional achievements were also noted: while other regions of the world, notably East and South Asia have posted positive growth over the past three decades, African agriculture continued to perform rather poorly. It was observed that since the 1970s, the number of the undernourished people in Africa had doubled while the rate had halved in Asia. While realizing that there was nevertheless significant potential, small farmers have remained more risk averse and have consequently not taken the risks inherent in the adoption of new technologies and innovations. As a result, smallholders have been largely bypassed by modern farming practices.

69. The need to provide newer and better technologies in order to improve the productivity of farming systems such as the role of irrigation in agricultural intensification was stressed. This also included the need for new crop varieties which were high yielding, early maturing and least susceptible to pest and diseases. The latter would require new emphasis on research, the appropriate use of biotechnology.

70. Regarding investments in the agricultural sector, it was observed that foreign direct investment had nearly dried up and was limited in scope. In such a situation, African governments and institutions need to look more within national boundaries for new sources of investments to complement external resources. While the inevitability of globalization was noted, it was also emphasised that it would neither success nor automatic benefits were guaranteed for the rural poor who are often not linked to the mainstream economy.

71. The important role of the private sector was highlighted by panellists who stressed that efforts should continue to be made to embrace it as an important partner in the transformation of agriculture. However, the private sector has not developed sufficiently at this juncture to fully assume the responsibilities that were the domain of governments only a few years ago. Further noted was the need for political commitment especially by governments, and regional and sub-regional organisations. Moreover, international development partners needed to work more closely with African governments and institutions, while African governments needed to adopt a more proactive role in the context of a global economy.

72. The second part of the panel discussion focused on the nexus dimensions of agriculture and the linkages to poverty. Sustainable Development was defined as meeting the needs of the present generation and maintaining a non-decreasing level of per capita well-being over time without compromising the needs of future generations to meet their own needs. It was noted that food security is said to exist when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. Consequently, agriculture, forestry and fishery activities should involve non-degradation of the environment and good management of land, water, plant and animal genetic resources (for continuous production of food and non-food primary products).

73. To achieve this objective, however, would require an understanding of the importance of dealing with the challenges of the inter-linkages existing among population, the environment and agriculture (the nexus issues). Increased food and overall agricultural production are key to Africa's food security and development. Yet, increased agricultural production is largely constrained by rapidly growing populations, increasing land degradation, low agricultural productivity, and the low status of women. These were considered as the priority aspects of the linkages. It was argued that past interventions to increase agricultural productivity and ensure sustainable development have been largely sectoral rather than dealing with the problems holistically, and that sectoral planning had resulted in few developmental successes.

74. In order to address the negative synergies between agriculture, population and environment, there was need for a multidisciplinary approach and a strategy for pursuing simultaneously the following three goals: (a) achieving a substantial increase in the growth rate of food and agricultural production; (b) making a concerted effort to build human capital through education and empowerment of women; and (c) promoting lower population growth rates and sustainable use of natural resources.

75. In this respect, the need for policy-makers and decision-makers to understand the usefulness of integrated approaches for policy and programme formulation, implementation and monitoring and evaluation, was underscored. It was noted that ECA had taken a bold lead in advocating the need for a holistic approach taking into consideration population, environment and agriculture concerns. Hence, the need for incorporating into development planning the following elements: (a) planning and implementing activities to raise policy makers awareness of the urgency to deal with the nexus issues of population, environment and agriculture in policymaking and development planning; (b) encouraging member countries to develop and take full advantage of their abilities to foster and utilize science and technology in addressing the nexus issues; and (c) providing policy analysis support and dissemination services through workshops, training seminars, information exchange, and technical advisory services to enhance understanding and management of the complex interactions between agricultural productivity, population, environment, technology, and food security.

76. It was further noted that the seriousness with which ECA took this advocacy role has led to substantial technical and intellectual investments in the development of a model as an advocacy tool. The PEDA model is a computer simulation model constructed to illustrate the interactions between population changes (P), the environment (E), socio-economic development (D) and agriculture (A). It is used to illustrate the likely impact of alternative policy options on the food security status of the population.

77. This model could be utilized to assess the likely impact of certain key variables on environmental degradation and would help policymakers to answer a number of relevant questions including the impact of increased education on the environment and land degradation; the impact of decreases in fertility rates on agricultural production in a country; and the impact of HIV/AIDS on agricultural outputs.

Conclusions and Recommendations

78. During the discussion, the meeting reiterated that population, environment and agricultural development are vitally linked. There is,

therefore, a need for multidisciplinary approaches when dealing with developmental issues arising from their linkages. Participants shared country experiences and provided further ideas on addressing issues of sustainable agriculture and natural resources management in Africa.

79. The meeting noted that, in order to provide the mainstay for the majority of the population, African agriculture needed to be more competitive, innovative and dynamic. New innovations were indeed needed in order to promote and sustain this competitiveness. The need to address problems of malnutrition and the issue of improvement of government institutions to meet the food security ambitions of African countries were also stressed.

80. Regarding the low productivity of African agriculture, there was a broad agreement that its negative impacts are worsened by poor distribution of wealth, which means that access to food by the majority of the people is hampered by economic factors. It was further noted that there are enormous post-harvest losses that should be minimized in the efforts to reduce food insecurity. Some of these losses could be avoided through financing the development of agricultural processing industries.

81. The meeting noted that overall, the availability of resources for the agriculture and food security sector has been on the decline. Therefore, it is imperative that Finance Ministers press for a greater share of national budgets. In addition, more emphasis needs to be laid on the need for financial and infrastructural investment, encouraging proper technology mix, protecting indigenous agricultural resources against foreign patenting and, the improvement of distribution, storage and marketing of agricultural products. It was further observed that agricultural research is externally driven due to the influence of the sources of finance. However, over-reliance on external sources of financing for agricultural research is a serious anomaly that needs to be redressed. Internal sources of financing thus needed more serious consideration. A strong case was made for strengthening existing sources of agricultural credit. New and more innovative ways of extending credit to farmers are required, as well as ensuring the need to translate the promises made by financial institutions into concrete actions.

82. It was also noted that the threat of drought has been increasing in frequency in the last decade. In this regard, drought should be treated as a structural element of a country's agricultural system and incorporated in the formulation of national policies. Sometimes, droughts are followed by floods, highlighting the need for countries to develop comprehensive water management strategies.

83. The need to invest more in irrigated agriculture was also highlighted particularly considering that small-scale irrigation rather

than large-scale irrigation, particularly considering environmental concerns. Panellists also noted that the issue of drought and desertification merited more attention than it has been accorded in the past. Implementation of the UN Convention to Combat Desertification requires greater attention as compared to the treatment currently being accorded to the implementation of the Convention on Biological Diversity.

84. The need to focus on farmers as the key players in the food security scenario was stressed. The Meeting also indicated that the age structure of the farming population needed to be addressed because African agriculture was predominantly in the hands of the old and ageing. In this regard, there is an urgent need to make agricultural enterprise and rural life more attractive to the youth. Beyond empowering women, the role of the youth in agriculture was indeed thought to be very important. In this respect, the rural-urban migration ought to be reversed and tapped for its agricultural potential.

85. It was argued that the use of natural resources in Africa has traditionally been driven by the ideas of the large NGOs from the developed world. Thus, it is essential to ensure that natural resource exploitation is based more scientific evidence. The question of land distribution is crucial in the realization of food security goals, as it can lead to prosperity or conflict, depending on how it is handled.

86. The need to focus on attracting more investment in the area of food processing to reverse the current trend whereby, African countries export raw materials and import processed products was emphasized. Cross-border and regional trade should also be emphasized.

[redacted]

87. Session VI was introduced by Mr. James Nxumalo, Chief Development Management Division (DMD), ECA; and moderated by Dr. Bujra, Director, Development Policy Management Forum. The panellists focused on the attributes of good governance and their inter-relationship.

88. Among the attributes discussed were (i) Participation: Citizens should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech as well as capacities to participate constructively; (ii) Rule of law: Legal frameworks should be fair and enforced impartially, particularly the laws on human rights; (iii) Transparency: Transparency is built on the free-flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them; (iv)

Responsiveness: Institutions and processes try to serve all stakeholders; (v) Consensus orientation: Good governance mediates differing interests to reach a broad consensus on what is in the best interests of a group and, where possible, on policies and procedures; (vi) Equity: all men and women should have opportunities to improve or maintain their well being; (vii) Effectiveness and efficiency: Processes and institutions produce results that meet needs while making the best use of resources; (viii) Accountability: Decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organization; and, (ix) Strategic vision: Leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of historical, cultural and social complexities in which that perspective is grounded.

89. These core characteristics, it was observed, represent the ideal – and no society has them all. Even so, it was recommended that societies should aim, through broad-based consensus building, to define which of the core features are most important to them, and what the best balance is between the state, the private sector and civil society.

90. The second part of the presentation focused on the current state of governance in Africa wherein it was observed that much discord and conflict had undermined Africa's development efforts. A salient feature of governance is conflict over power, and over the distribution of costs and benefits. To the extent that a policy succeeds in formulating the rules defining how power should be exercised appropriately, it would succeed in attaining the goals of good governance. Citing the controversies in the recent presidential election in the U.S. as an example, one speaker argued that they revealed the strengths of democracy rather than its weaknesses or failings and that Africa had a lot to learn from this. Regardless of the intensity of the disagreement over the results of that election, U.S. democracy was not in danger, and its institutions remained intact. What is the basis of this optimism? Three reasons were cited for taking a positive view of current happenings in the U.S. First the consensus on the basic ethos of governance. Secondly, the abiding faith in the integrity of institutions. Thirdly, existence of rules to arbitrate conflicts before things go too far. These are important principles that could be adopted for building democracy in Africa.

Conclusions and Recommendations

91. The Meeting concluded that while no two countries are the same in terms of governance experience, there is a need to promote a broad measure of consensus around certain core governance values and practices. It was therefore recommended that studies be undertaken

highlighting good governance principles and standards, as well as the consequences of bad governance. The meeting also called on the State and civil society institutions (including the private sector) to collaborate on the development and nurturing of core governance values, particularly, the legitimacy of regimes, democratic participation, tolerance of diversity and dissent, observance of the rule of law and fundamental human rights, and peaceful arbitration of conflict.

92. Moreover, the meeting called for appropriate measures to be instituted to guarantee the autonomy, integrity, credibility, and effectiveness of the key institutions (the judiciary, the legislature, and the executive branch of government, as well as civil society and non-state institutions). It was also recommended that rules be clearly formulated and institutions be established to ensure peaceful arbitration of conflict without prejudice to the right to differ on policy issues; government and opposition parties agree on boundaries beyond which conflicts would not be allowed to proceed; freedom of information laws be enacted to promote transparency, and encourage popular participation in governance; donor agencies assist current efforts in promoting good governance practices by showing greater understanding of the economic and financial predicament facing African states; and OAU and ECA collaborate on the organisation of a high-level conference on “Governance and Economic Growth”.

Annex 1

Ministerial Statement on the Third UN Conference for LDCs

Preamble

We, the African Ministers of Finance, met at the 8th Session of our Conference, under the auspices of the United Nations Economic Commission for Africa, from 21 to 22 November 2000 at Addis Ababa, Ethiopia, resolved as follows:

1. We recall the Declaration on the Third UN Conference on the Least Developed Countries (LDCs) adopted at the 36th Session of the Heads of State and Government of the Organization of African Unity and at the 4th Ordinary Session of the African Economic Unity both held in Lome, Togo, on 12 July 2000.

2. We also recall the Declaration adopted by the 10th Annual Ministerial Meeting of the LDCs held in New York on 18 September 2000 on the review of the State of the Preparatory Process for the Third UN Conference on LDCs.

Purpose

3. Our Conference took place against the backdrop of regional preparations for the Third UN Conference on Least Developed Countries (LDCs). Our conference was preceded by the High Level Regional Consultative Meeting on Financing for Development and Preparatory Meeting for the Third UN Conference on Least Developed Countries (15 – 17 November 2000), which brought together experts from our governments, African private sector and civil society organizations to discuss the issues on the agenda for the UN Conference on LDCs to be held in Brussels, Belgium in May 2001. We have taken into account the outcomes of the regional meetings held in Addis Ababa and Niamey in preparation for the Third UN Conference on the LDCs as well as the African High Level Regional Consultative Meeting which preceded our Conference.

4. We have also taken note of the fact that the Intergovernmental Preparatory Committee for the Conference has agreed on a provisional agenda which includes assessment of the results of the

Programme of Action during the 1990s at the country level; a review of the implementation of the support measures, particularly in the areas of Official Development Assistance (ODA), debt, investment and trade; and formulation and adoption of appropriate national and international policies and measures for sustainable development of the Least Developed Countries and their progressive integration into the world economy in the form of a Programme of Action. The agreed agenda for the Third UN Conference on LDCs contains issues which are central to the development of Africa –issues on which we have expressed our views in our Ministerial Statement issued on 8 May 1999 at the end of the Joint Conference of Ministers of Economic and Social Development and Planning and Ministers of Finance held in Addis Ababa. The present statement builds on and updates our views in the 1999 Ministerial statement.

Development Challenges of LDCs

5. We attach high importance and expectations to the forthcoming Third UN Conference on Least Developed Countries (LDC III) to provide an opportunity to redress, in an effective and meaningful manner the conditions of the world's most vulnerable peoples. We trust that the Conference will adapt practical and tangible outcomes including commitments for action-oriented programmes and projects that will make a real difference to the development of LDCs, notwithstanding the commitments made by the international community in the two previous United Nations Conferences on the LDCs, which remain largely unfulfilled.

6. We further note that through a number of policy measures the LDCs have embarked on a series of reforms aimed at reducing poverty in their countries; promoting sustainable growth and development; creating an environment conducive to investment, both domestic and foreign; diversifying their production and exports; but in spite of all these efforts, the economic conditions in the LDCs have generally not improved.

Globalization and Marginalization of LDCS

7. We also note that the process of globalization, aided in large measure by rapid developments in information and communications technology, has created unparalleled opportunities and challenges. However, the LDCs, the majority of which are in Africa, have barely benefited because they lack the means to tap its potential and minimize its risks. Consequently, we expect that the New Programme of Action emanating from LDC III will contain the measures and actions necessary to facilitate the full integration of LDCs in the world economy. In this regard, the new programme should include quantifiable and measurable targets.

8. Concerning LDCs seeking accession to WTO, they should not be compelled to undertake obligations and requirements beyond their level of development and capacity. In this regard, WTO must establish clear, simplified, easily attainable and fast track accession procedures for LDCs that are not yet members of WTO.

9. We are particularly concerned about the socio-economic situation of African LDCs, which continues to deteriorate due to their accelerated marginalization and exclusion from the global economy. Therefore, the measures envisaged in the new Programme of Action should take into account the vulnerability of LDCs to environmental, ecological changes, natural disasters and the impact of conflicting situations in the affected countries.

Resource Mobilization

10. Mobilization of domestic and external financial resources is critical to LDCs in their efforts towards sustained economic growth and development. However, while LDCs are making every effort to create the necessary conditions to increase the level of their domestic resources, we underline that the low levels of income in these countries will not be sufficient to mobilize domestic resources to enable them to meet their development goals. We note that to attain the international development goal of reducing poverty by half by 2015, it is estimated that Africa would need to grow by at least 7 per cent per annum and increase its investment to GDP ratio from the current 19 per cent to 25 per cent. This creates a huge financing gap, which would require concerted efforts at mobilizing both domestic and external resources.

The Need for a Programme of Action: A New Global Compact

11. While acknowledging the fact that LDCs have the primary responsibility for their development, we are, nonetheless, of the view that the international community should complement the efforts of the LDCs, through support measures and effective partnerships. In this respect, we strongly recommend developing a *"New Global Compact with Africa"*, in which the developed countries would invest the necessary resources, through aid, debt relief and market access, in order to give African countries the needed impetus to sustained growth. In turn, Africa would intensify its efforts at political and economic reforms.

12. This *"New Global Compact with Africa"* should necessarily include a trade component in which access to industrialised countries markets is provided, while in turn, Africa will take strong steps to promote its exports and accelerate regional integration. In this regard, we urge the developed countries to provide:

    - Preferential market access for LDCs, and the elimination of all tariff and non-tariff barriers on all products exported by the LDCs;
    - Assistance in capacity building for development of the economies of the LDCs and address supply-side constraints;
    - Enhanced support to the implementation of Integrated Framework (IF) for trade related technical assistance to LDCs including by contributing to the proposed IF trust fund;
    - Assistance in the development of infrastructure of the LDCs;
    - Support to our efforts at promoting regional cooperation and integration.

13. On debt, the Compact should accelerate agreements and benefits therefrom and work for a lasting exit from debt. In this regard, efforts should be made so that future grants financing be increased. We urge the Economic Commission for Africa to commence consultations on the Compact proposals and further develop the approach for operationalizing it. We pledge our cooperation in this effort.

Debt and Official Development Assistance

14. We express serious concern with much-reduced level of ODA and call for sustained efforts to increase ODA in line with agreed commitments and for a sufficiently long period in order to bridge the financing gap. This is most urgent given that the majority of LDCs are not able to attract private capital flows. Increasing ODA should be accompanied by swift and effective cancellation of the debt burden of LDCs and we express great appreciation to those development partners who have taken concrete actions for debt cancellation for LDCs and strongly urge other creditors to do the same before the occasion of LDC III. At the same time, we commend recent initiatives to reduce the debt of HIPCs, the majority of whom are LDCs. However, we call on our development partners for further restructuring of the HIPIC initiatives to provide deeper, broader and faster relief with greatly relaxed and eligibility criteria.

15. We are aware that among other constraints, supply constraints represent critical bottlenecks in taking advantage of trade liberalization and market access. In this regard, it is necessary to unlock the potential embedded in the natural resource base including traditional and non-traditional commodities. The forthcoming Conference should adopt specific measures that will assist LDCs to build their productive capacities through stimulating investment and raising overall factor productivity in order to diversify their export base and attain adequate levels of competitiveness. Such measures should include infrastructure, institution building, technological capacity, information and communication technology (ICT) and human resource development.

16. We underscore that improved and predictable market access remains an important requirement for expanding supply capacity as it also creates incentives for attracting FDI. In this regard, we welcome the actions initiated by EU to provide LDCs with duty free and quota free market access to all products, except arms and we appeal to other developed countries to take similar initiatives. We further appeal to our developed trading partners to take the necessary steps to bind these market access conditions.

17. We also stress that any efforts to improve human development must take into account social aspects as well. In this regard, health and education are essential components of human capital development. We, therefore, emphasize that the Conference should recognize the important linkages between health and development in LDCs including the impact of HIV/AIDS, malaria and other communicable diseases on the social and economic well-being of LDCs, and adopt concrete remedial measures.

The Importance of Human Resource Development

18. We acknowledge that good governance makes good economic sense and, in this connection, stability, rule of law and predictable macroeconomic policy, in conjunction with the necessary structural reforms, are essential for fostering a climate conducive to equitable social and economic growth. This requires increased resource flows and general improvement of the external economic environment, which the Conference should address as well as policy coherence for the international trade and financial system.

Good Governance, Peace and Stability

19. We endorse the agreed conclusions adopted by the 47th Session of the Trade and Development Board of UNCTAD on the need for effective monitoring and follow-up to the implementation of the new Programme of Action. We call for the full and effective implementation and regular review of the new Programme of Action to be undertaken with the active involvement of all stakeholders, including all relevant subregional, regional and international framework.

20. We recognize that the Third UN Conference on LDCs is a special opportunity for renewed partnership for Africa's Development. In this regard, we pledge the commitment of our Governments to serious dialogue at the Conference and to mobilize the energies of all concerned in our countries to make the Conference a success. This will include enhanced cooperation and coordination among LDCs. We also call on our development partners to seize this opportunity to rededicate themselves to make creative and bold commitments in support of the LDCs, in the interest of the common advancement of humanity.

A Call for Strengthened Partnership

Done at Addis Ababa, Ethiopia, on 22 November 2000