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Addis Ababa, Ethiopia

28 March 2011

Chairperson,

Your Excellency, Ato Meles Zenawi, Prime Minister of the Federal Democratic Republic of Ethiopia,
 Dr. Jean Ping, Chairperson of the AU Commission,
 Dr. Donald Kaberuka, President of the African Development Bank,
 H.E. Mr. Kenny Kandodo, Minister of Finance of Malawi and out-going Chairperson of the Bureau
 Honourable Ministers,
 Ambassadors and Senior Officials of the United Nations System,
 Distinguished Ladies and Gentlemen

I bid you all welcome to the 4th Joint AU Conference of Ministers of Economy and Finance and ECA Conference of Ministers of Finance, Planning and Economic Development.

We are glad to have here with us again our Prime Minister and we continue to be grateful to him and the Government and People of Ethiopia for their gracious hospitality and generous support. Mr. Prime Minister, we salute your unwavering commitment to African development and look forward to your Keynote Address on the theme of the Conference to which we know that you have given much thought.

Permit me also to salute my two brothers in arms, Dr. Jean Ping and Dr. Donald Kaberuka, whose insightful and committed leadership has cemented the partnership between our three pan-African institutions. Ministers will be pleased to know that as a concrete demonstration of this partnership, the AU/AfDB/ECA Joint Secretariat Support Office has commenced operations.

My sincere thanks also goes to Ministers, Senior Officials of the African Union, the United Nations system and our development partners for turning out in such large numbers. This reflects the importance that you attach to this meeting and the decision by the Kampala AU Summit to make this Conference a major forum for consensus building and policy formulation on Africa's economic and social agenda.

Economic and social prospects for Africa as a whole remain encouraging. Growth was 4.7% in 2010 and is projected to rise to 5% in 2011 as can be seen in the 2011 Economic Report on Africa. The continent also made steady if varying progress in achieving the MDGs, further details of which are in the 2011 MDG Progress Report. There will be further opportunity to discuss some of these issues at the Plenary Session on 'Leveraging Opportunities for Accelerated Growth'.

This positive outlook will be affected by risks and uncertainties. Just like in Cote d'Ivoire and North Africa, political events will continue to impact on economic performance while the challenge of jobless growth remains. Indeed, it was youth unemployment that triggered the revolts in North Africa while rising fuel and food prices, climate change and developments such as fiscal consolidation, sovereign debt crisis, and the inter-related issue of global imbalances and exchange rates will all interact to affect Africa's growth prospects.

We are accordingly obliged to continue to focus efforts to diversity and transform our economies. Our view is that African states must now build on their existing commitment to improving political governance by also making economic transformation a top priority of government policy. This view is informed by the limitations of structural adjustment programmes, the experience of other developing countries especially in Asia as well as various academic and policy studies that recognize the important role of the state.

It must be acknowledged, of course, that there are well known pitfalls of active state intervention not least of which are that the state is not necessarily benevolent, nor is it all knowing and all powerful. The issue before us is certainly not one of states versus markets and

the real question that we must seek to answer as Africa's leading policymakers is how best to operationalize the role of the state while taking into account of the benefits of a market economy. Thus, our theme - *Governing Development in Africa*.

Let me offer a few thoughts in this regard. First of all, we face common challenges and should therefore work together to find common solutions. Moreover, a more active state role needs to be balanced by our well known commitment to democracy, human rights and transparency. It should also avail space for the private sector and civil society to contribute to national development. Development policy would also need to take into account trends such as regional integration, the emergence of a multi-polar world, the challenge of environmental sustainability, changing global demographics and the increasing digitalization of economic processes.

The governance of development in Africa also requires a good mix of economic and social policies. Flexible and sound macroeconomic policies are essential to enable adjustments and to underpin growth. High levels of investment are required to upscale production and build up infrastructure and human capital. Mastering, adapting and improving technologies and skills acquisition are needed for decent employment. Greater policy space is essential to enable the adoption of appropriate trade and industrial policies. Above all, our states must have a clear commitment to equity and equality of opportunity.

In the same vein, our people must be mobilized by a clear and uplifting vision of societies that provide opportunity, uphold just, fair and inclusive values while balancing current needs with sustainable environmental practices. Nevertheless, since costly distributional conflicts are inevitable in the transformation process, state leadership is also required to manage and mitigate the impact of social conflict. This is the objective of social security arrangements and unemployment benefits in some developed economies.

Our governments should also be proactive in mobilizing resources for development from domestic and external sources. Attracting foreign direct investment or, indeed, securing official development assistance requires a solid reputation for good economic management and accountable governance. This, of course, must be matched by policies to stem illicit capital flows which on-going research at ECA shows to be greatly reducing the resources available for development in the continent.

A key role of the state is to coordinate economic activities including through a disciplined but inclusive visioning and planning process. This means that we must move quickly to restore planning frameworks in our countries as well as competent and merit based bureaucracies. The evidence from the developed and emerging economies is that efficient and competitive private sector firms also have a vital role to play in transforming economic structures and they must be factored into development governance.

Several reports of ECA's activities in the past year are before you. Working closely with member States and partners we revamped and revitalized the African Institute for Economic Development and Planning (IDEP) so that it can play a lead role in restoring state capacities for governing development. The fourth Assessing Regional Integration in Africa Report on intra-Africa trade contributed to the choice of the theme for the January 2012 AU Summit. The 2nd Science with Africa Conference accorded priority to promoting science, technology and innovation in support of development.

The Mutual Review of Development Effectiveness report now to be produced annually was designated in Kampala by the NEPAD Heads of State and Government as the main mutual accountability mechanism for monitoring and assessing the delivery of commitments by Africa and its partners. We are concluding a study with the AU Commission and World Food Programme on the cost of hunger. The 7th African Development Forum was on the continuing challenge of climate change. Building on its outcomes and in order to prepare properly for the next United Nations Conference on Sustainable Development (Rio+20) we have worked closely with the United Nations Environment Programme and the AUC to organize a Ministerial panel discussion on the 'Green Economy'.

Taking account of the debate at the last Conference, we have organized a panel discussion on health financing which will enable several Ministers of Health to interface with their finance and planning counterparts as well as senior UN and AUC officials on this very engaging topic. This is good time to welcome Dr. Babatunde Osotimehin, recently appointed Executive Director of the UN Fund for Population Activities (UNFPA). He will be making a presentation at the Health Financing Panel but I crave your indulgence Mr. Prime Minister for him to introduce himself to this vital constituency right after my statement.

With this few words, I wish to conclude by thanking you for your kind attention and wishing you a very successful Conference.

