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20th meeting of the Conference of Ministers opens in Africa Hall

The annual Ministerial Conference of the United Nations Economic Commission for Africa (UNECA) has attracted more than four hundred delegates from within Africa and the rest of the world to hear a message from Boutros Boutros-Ghali, the United Nations Under-Secretary-General, that African socio-economic development is by no means a lost cause.

The message coincides with the 35th anniversary of UNECA which is being celebrated under the banner of "Building Critical Capacities in Africa for Accelerated Growth and Development". "Signs of progress are beginning to emerge from the efforts of many countries at macroeconomic reform; the Abuja Treaty, establishing the African Economic Community, will soon come into force", he stated today adding that across the continent democratic reforms of governance were taking hold, winning wider adherence. In South Africa the end of apartheid and the holding of democratic elections would bring one of the continent's most dynamic economies into the African mainstream.

Boutros Boutros-Ghali was quick, however, to point it out that Africa's old predicaments were nowhere near solution.

The problem of Africa's external debt continues to pose a major obstacle to accelerated recovery and growth. Bold steps are needed to reduce the stock of the Paris Club debt.

The Secretary-General had proposed to the General Assembly that, as requested in the United Nations New Agenda for African development and recovery in the 1990s, a diversification facility for African commodities be established at the African Development Bank (ADB) with resources of some US$50-57 billion. The fund would help provide for the preparation of commodity diversification programmes and projects.

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Layashi Yaker, Under-Secretary-General of the United Nations and Executive Secretary of UNECA said in his address that, in the last fifteen years, the rate of growth of output in Africa had outpaced that of population in only three isolated years, and even then only because of the depth of economic contraction from which they were emerging.

"The African economy has virtually stagnated since 1990, and over the period 1990 to 1993, the regional economy has grown at an annual rate of 1.3%".

The UNECA chief observed that the gravity of Africa's continuing economic crisis and the uniqueness of its problems contrasted sharply with the performance of developing countries as a group whose output (including Africa) grew by an impressive 6% in 1993. He saw those figures against the background of Africa's robust population growth rate which is slightly above 3% per year. "In twelve of the last fifteen years the growth rate of economic output in Africa has been negative, amounting to cumulative reduction of about 20% in average personal incomes".

Startlingly, the Executive Secretary went on to note that, in all likelihood, at least a similar proportion of the population has been submerged under the poverty-line since 1980, bringing the incidence of poverty close to 60% of the African population.

Layashi Yaker forecasts Africa's state of economic growth in 1994 as no more than 2.0 - 2.6 compared to 5.5% for the developing countries as a whole.

The relentless decline of per capita income in more than 30 African countries, he stated, cries out for a major stimulus to "kick-start" the long awaited African economic recovery - a stimulus which would be analogous to President Roosevelt's New Deal public works programme and the American-financed Marshall Plan. Efforts to stimulate African economies over the last decade, were worthwhile in themselves; but the modest results these achieved so far, he suggested, indicate the limitations of structural adjustments, not conceived within transformation, and not accompanied by new production capacities, public works programmes and other projects aimed at the full employment of idle human resources through the expansion of physical and social infrastructural capacities.

The UNECA programme as indicated by the theme of the conference is on building capacities. The institutions which make and implement strategic policy decisions that influence the allocation of resources must be created and/or strengthened. Effective institutions are needed to regulate and stabilize socio-economic processes. They are also needed to mobilize finance for domestic savings by households and private enterprises as well as from foreign capital markets, channelling them all to productive applications.

According to the UNECA Executive Secretary, carefully planned, efficiently operated, and well-maintained physical infrastructures including transport communications and energy infrastructures could increase opportunities based on sustainable exploitation of land. Natural resources could play a crucial role in reducing poverty and inequality in the distribution of economic opportunities. At the regional level interconnections of infrastructures was necessary for the integration of markets needed to create economies of scale.

"Enormous work must be done simultaneously on all these fronts and across carefully targeted, selected priority areas within them", Layashi Yaker underlined.

The UNECA chief disclosed that the Secretariat has carried out a study to estimate the order of magnitude of domestic and external financial requirements to sustain capacity-building in Africa. The underlying assumption was that efficient capacity-building, implemented hand-in-hand with the progressive deepening of structural economic reforms, would lead to sustained gains in efficiency and competitiveness. This would boost the rate of economic growth to attain an average annual growth rate of 6% between 1995 - 2005, rising to an average rate of 7% between 1995 and 2015.

Here are some of the findings of the UNECA study:

First, in the first ten years annual rates of gross domestic investment in Africa need to be raised steeply to rates as high as 40% of GDP. Over 1995-2005 Africa would need about US$1,674 billion of capital investment.

Secondly, this would have to be financed largely by an increased domestic savings rate in the order of 30 to 35% of gross national income in the peak years. In fact, on average, almost 75% of African capital investment would have to come from domestic resources.

Thirdly, the balance of the resources, amounting to about US$ 434 billion, would have to come from external sources, if capacity-building is to take place at all specially in the areas of physical structure and production plant.

Fourthly, a huge amount of resources amounting to about US$435 billion would be required over 1995 to 2005 to service Africa's external debt. This is roughly equal to the volume of external resources needed to cover Africa's investment minds the domestic savings gap. The UNECA study concludes that more must be done by Africa's bilateral partners to reduce the African bilateral debt stock, for example, through a generous and early application of the Trinidad Terms.

Aware that Africa's debt servicing obligations to the multilateral financial institutions were increasing rapidly, Layashi Yaker called for "innovative and flexible solutions" to the problem while maintaining African countries' access to multilateral finance flows. He also noted that a number of African countries, notably Nigeria, Algeria, and Cote d'Ivoire, were heavily exposed, and suggested that multilateral arrangements, perhaps along the lines of the Brady Plan for middle-income debtor countries (as was done for Mexico) could be worked out to reduce these countries' debt stock and servicing burden. He called for the commitment of new resources to stimulate recovery.

Layashi Yaker stated: "Africa's external official and private development partners need to demonstrate their commitment to supporting Africa's recovery, sustained growth, poverty reduction and sustainable development in concrete terms."

He elaborated by saying that the finding that substantial net external financial transfers to Africa would be required to sustain growth through capacity-building had further implications:

1. It called for greater moral and material support to be extended to Africa by its external bilateral and multilateral partners over a period of two to three decades.

2. African countries must do their utmost to target and attract return flows of flight capital back to Africa; target and attract foreign direct investment, later augmented by institutional portfolio fund flows, target and attract long-term bank lending and other private borrowing.

3. All future external financial resource flows to Africa will comè with future servicing obligations, except for the grant component in bilateral development assistance.

Layashi Yaker concluded his statement by saying that if the UNECA blue-print for African capacity-building is realized, "essential human skills will be developed; social and physical structures will be extended; institutions will be strengthened; and African economies will genuinely become competitive in the new global economy".

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