

Thirty-seventh Session of the Conference of African Ministers of Finance Planning and Economic Development

Opening Statement

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Kampala, Uganda
22 May 2004

Mr. Chairman,
Your Excellency, Yoweri Museveni, President of the Republic of Uganda,
Your Excellency, Luisa Dias Diogo, Prime Minister and Finance Minister of the Republic of Mozambique,
Honourable Ministers and Governors,
Your Excellency, Elizabeth Tankeu, Commissioner for Trade and Investment of the African Union,
Distinguished Delegates,
Ladies and Gentlemen,

On behalf of the Economic Commission for Africa, I would like to begin by thanking His Excellency, President Museveni, for graciously accepting our invitation to participate in this opening session.

Excellency,

Your leadership on economic management and development issues is well known. You have also spoken eloquently and promoted Africa's voice internationally on the issues at the centre of our discussions here in Kampala. We are therefore delighted that you have agreed to share your views with us today.

Through you, let me also express our sincere appreciation to the Government of the Republic of Uganda for hosting this meeting and for the generous support given to the ECA's Secretariat and member States to ensure its success.

Honorable Ministers,

I am most pleased that our Conference is once again being held consecutively with the Annual Meetings of the African Development Bank Group and the joint ADB/ECA symposium in the same venue. It is a special pleasure that we are holding our second joint meetings on the occasion of the 40th Anniversary of the Bank.

Your decision to urge our two institutions to synchronize meetings where feasible, is already fostering greater coherence between us. As you know, a close working relationship between ECA and ADB is absolutely critical to the achievement of an African development vision.

Much of the progress we have made in this regard is due to the commitment and leadership of ADB President Omar Kabbaj. I am thus delighted that he will be joining us to make a statement at our closing session.

My colleagues and I at the Economic Commission for Africa also greatly cherish our increasingly strong links with the African Union. We are now working with the AU Commission in several areas,

notably trade. I am therefore pleased that the Commissioner for Trade and Investment, Her Excellency, Elizabeth Tankeu, is with us today.

I am confident that the positions taken here in Kampala will inform the discussions at the meeting of African Trade ministers that is being convened by the AU in Kigali next week, to discuss Africa's post-Cancun trade strategy.

I also want to take this opportunity to recognize the outgoing chair of the Conference, the Honourable Minister of Finance of South Africa, Trevor Manuel who served for an unprecedented two sessions.

During that period, South Africa has given valuable support and guidance to the Commission, in particular, regarding our efforts to involve member States more closely in the work of the ECA.

Proposals on how to deepen that involvement have emerged from the External Review process you called for at the Johannesburg Conference in 2002 and were discussed this week with your experts. We look forward to presenting them to you.

Mr. Chairman, I also want to use this opportunity to sincerely thank you for your service as Vice-Chairman during the past two sessions of the Commission and for chairing the meeting to day. Your support has also been greatly appreciated.

Your Excellency, President Museveni,
Excellencies,
Distinguished Delegates

I would now like to share with you my impressions on the current international economic outlook, and on where Africa is headed. In that context, I will raise a number of the key issues confronting us as we seek to improve our development prospects.

Despite the difficult political situation internationally, especially in the Middle East, all the evidence would point to an improved economic performance in the global economy this year and next. Global GDP growth for 2004 and 2005 is now projected at about 4.5%.

Let me point to some of the global trends that I think are likely to impact on the African economy:

Firstly, there has been a strong recovery in the prices of some key commodities, such as coffee, tea, cocoa, etc. After over 20 years of almost secular declines in some of our key exports, this turnaround in prices is enormously welcome. It should have an important positive impact on the situation of our farmers and rural populations.

Part of this dramatic increase in commodity prices is due to the performance of China, growing at rates that are unprecedented for a country of its size. China is set to become the largest single economy of the world by around 2020, if the current growth rates are maintained. Moreover, the country is already the third-largest importer in the world. Asia as a whole will soon overtake the US as one of the leading export markets for African exports, second only to Europe.

Looking to the future I believe we must work hard to deepen our links with Asia. I am therefore pleased to note that our economic relations with key states in Asia are already improving, through the framework of the China-Africa Forum and TICAD.

It is also timely that as we discuss our future trade strategies, a major Africa-Asia Trade and Investment conference is planned for later this year as part of the continuing TICAD process.

We must plan well for this in order to maximize the potential that trade with Asia offers us.

A more complex development in world markets has been the high price of oil, currently touching \$40 a barrel, which is creating some uncertainty about global prospects. While oil exporters on the continent may experience immediate benefits, many countries could find themselves facing unanticipated financing needs and increased energy and transport costs.

Global growth is also reflected by regional trends. As our 2004 "Economic Report on Africa" shows, the region's economy grew again last year at 3.6%, up from 3.2% in 2002.

However, as we all know, this economic performance is still too modest to effectively address the region's development challenges. Nor is it shared uniformly across the region.

Mr. Chairman,

Given the outlook I have presented, it is evident that we need to push ahead with several actions on the domestic and international front in order to create conditions for sustained economic growth and poverty reduction in Africa.

In that regard, 2005 will be a key year.

You may recall that at its 60th session, next year, the UN General Assembly intends to assess progress towards the Millennium Development Goals and the implementation of the Monterrey Consensus on financing for development.

2005 will also be significant because the UK, one of Africa's strongest development partners, will be presiding over both the G8 and the European Union.

Tomorrow you will be briefed on the Commission for Africa, established by Prime Minister Blair. The Commission aims to push the African agenda on the international scene next year and I look forward to your views on how it can most effectively benefit Africa.

Excellencies, you have a key role to play in advancing the African development agenda and the leadership you continue to show on the key issues is laudable.

I am especially pleased to recognize the contribution in this regard of the Honourable Prime Minister and Finance Minister of Mozambique, Luisa Dias Diogo who has long worked closely with us all on these issues. Indeed, her dedication and energy in promoting the African voice is well-known.

Prime Minister, congratulations once again on your appointment since our last session. We are honoured that you have joined us again.

Mr. Chairman,

I am delighted to note the important role this Conference has increasingly played in setting the agenda and advancing united African positions on critical subjects in recent years.

For example, when we met in Addis Ababa for our 2003 Conference of Ministers we focused on issues of mutual accountability and policy coherence. We also discussed the role of the Bretton Woods Institutions in Africa, and the macroeconomic impact of the HIV/AIDS epidemic.

Since that last meeting, some progress has been made on all these points.

Mutual accountability, the harmonization of aid modalities, and policy coherence are now widely acknowledged as being central to the implementation of the global development agenda.

I am pleased to report that ECA, in collaboration with the OECD, is well underway with the preparations for the Joint Review of Development Effectiveness, which you have endorsed. As you requested, the first Mutual Review Report will be launched in the middle of next year.

Already, however, we have some sense of the scorecard. We already know that more needs to be done on the part of our partners to ensure that all their policies - on ODA, market access, and debt- are consistent with meeting the MDGs.

ODA pledges have increased since Monterrey, but pledges are not being honoured fast enough. Aid to Africa remains low and volatile.

On debt, you have made a consistently strong case in various fora, including at the "Big Table", for the World Bank and IMF to revisit the issue of debt sustainability. The two institutions are now working on a new forward-looking sustainability framework. They are also examining innovative financing mechanisms such as the International Finance Facility (IFF), global taxation and other proposals to help address the financing of the MDGs in Africa and the rest of the developing world. These are welcome developments.

For its part, Africa is making progress towards honouring its commitments, including in the key areas of good governance, and economic management, as ECA's forthcoming African Governance Report will show. However, we still have several major capacity deficits to overcome.

Excellencies,

We need to do much, much more than we are now doing if we are to make progress in reducing poverty.

Despite progress in Africa on several fronts, few sub-Saharan countries are on track to meet the Millennium Development Goals by the target date of 2015.

The picture is complicated by the fact that underlying conditions are not going to remain static.

A critical challenge that undermines our efforts is that of Aids. Some 13 million Africans have died of HIV/AIDS, 28 million are now living with the virus. The pandemic is reducing economic growth; increasing attrition of skilled workers; weakening agricultural productivity and food security; and reducing school enrolment and increasing pressure on health services.

We therefore need to scale-up our fight against this disease. In that regard, I am pleased to inform you that the Commission on HIV/AIDS and Governance, convened by the UN Secretary General, and which I chair is working hard to equip you with policy tools to deal with the developmental impact of the pandemic.

Furthermore, demographic trends are against us.

Population growth rates have outstripped economic growth. On current trends, the number of poor is likely to rise from 315 million in 1999 to 404 million people by 2015. What is more, 40-50% of the people in Africa are under 15 years old and that percentage is growing.

For example, as our population grows, agricultural land must be shared between more and more people. At the same time, our agricultural productivity is stagnant and we are barely managing to expand employment opportunities elsewhere.

We therefore face the prospect of sharply worsening unemployment and associated poverty in the years to come.

Mr. Chairman,

Let me dwell briefly on Africa's unemployment problem, for it is clear that until we address it successfully, we will make little progress in the fight against poverty.

I believe we need holistic policies that focus on agricultural modernization, the development of small enterprises and generating productive employment for our youth, who represent the foundation for our future sustained development. There are several reasons for this.

First, at this stage in Africa's development, the comparative advantage of our countries mostly resides in agro-related industries: industries either using agricultural products as their main raw material, or those producing agricultural inputs. Over 70 percent of total employment in Africa and 60 percent of manufacturing value-added is in agro-related industries in Africa. We ignore the importance of this sector at our peril.

Second, we need to support small- and medium-size firms, as they are the hothouses of employment creation throughout the world. It is often commented that African economies have a missing "middle", in the sense that firms are either micro-sized, family-oriented businesses, or large companies, but that there is no intermediate-size companies which really drive future growth and competitive advantage.

We therefore need to remove the administrative barriers which make it so difficult for these companies to emerge and thrive. We also need to reform our banking systems so that small businesses receive the necessary financial resources.

For too long, African economies have depended on informal solutions to make up for the lack of formal credit. How can we expect our economies to grow and employment to be created if we are unwilling to provide them with the necessary financial support?

Honourable Ministers,

Clearly, the funding required to meet these objectives is massive. We also know that ODA flows, market access and debt relief, no matter how generous, will never, on their own, bring sustained development to our continent.

To reduce poverty and create jobs, we need high levels of economic growth driven by increased private sector activity, pro-poor investment and supported by robust export performance.

As you have highlighted on several occasions, we need to significantly increase domestic savings and investment and create conditions for the private sector to play a leading role in promoting economic growth.

Our recent estimate suggests that additional investment of around \$350 billion would have to be made from now until 2015 in order to achieve the 7% GDP rate that we need to propel Africa towards achieving the primary millennium development goal of poverty reduction.

The emerging lesson from the African Learning Group on the Poverty Reduction Strategy Papers (PRSP-LG), which ECA created in 2001, also points to a need for us now to formulate more employment friendly national strategies to reduce poverty.

From the 24 country studies that have served as background for the meetings of the LG so far, it is clear that Africa must now move swiftly towards implementing a second generation of PRSPs as we are failing to make sufficient headway with present policies.

We, at ECA, believe that these strategies must encompass macroeconomic policies that set a clear emphasis on dealing with the depth of poverty in Africa, the challenge of the MDGs and the centrality of the poverty-employment-growth nexus.

Mr. Chairman, I believe it is essential that we now focus totally on implementing policies that will lead to a structural transformation of Africa's economies.

In that context, the theme of this conference is highly appropriate because it is obvious that trade has an important role to play as an engine of growth and development in Africa.

It is clear that Africa stands to gain much from a successful completion of the Doha negotiations and so needs to do whatever it can to advance them. Pressure must be kept up to ensure that the development objectives of the Doha round are realized.

Fortunately, there have been some signs of new momentum in the negotiation process, following the collapse of the Cancun WTO ministerial.

For example, the offer last week by the EU Trade and Agriculture Commissioners to eliminate EU export subsidies if there is parallel movement by the US, has added momentum to the negotiation process.

I am delighted that a high-level panel of experts, including Dr. Kipkorir Rana, the Deputy Director General of the WTO, and the former US Assistant Trade Secretary Rosa Whitaker, will update us tomorrow on where things stand with the international negotiations.

Mr. Chairman,

While we certainly need to make progress in our negotiations internationally, the heart of our challenge, however, lies at the national level.

As the issues paper prepared for you by the Secretariat highlights, mainstreaming trade calls for the application of policies throughout government that promote trade and trade-related activities.

It raises a number of salient questions to which we must find answers. For example, how does one address the supply-side constraints that inhibit export sector development?

Also, we know that trade liberalization may result in lower income from trade taxation; so how can that shortfall be replaced?

And there are many other issues we must tackle, such as finding effective means of financing for trade, and building our trade capacity.

Your experts have met on these issues over the last few days and have prepared a set of

recommendations for your consideration that will inform your discussions tomorrow.

I am certain that your deliberations on our theme will also be enriched by the contributions from the Professor Ademola Oyejide, an internationally respected expert on these matters. We are most grateful that he has accepted our invitation to join us at this Conference.

Mr. Chairman,
Excellencies

We can no longer ignore the need for a holistic approach to development. The days when only the trade minister was preoccupied with trade and the education minister focused only on education are gone.

If we are to advance our development agenda, we have to accept that a multi-sectoral approach is fundamental. Just as we call, at international level, for our partners to make their policies coherent, so we must integrate our own approaches by mainstreaming the most important of our goals – reducing poverty and promoting growth – throughout government.

Nowhere is that approach more critical than in the delivery of the MDGs.

For that reason, I would like to recommend that the theme of our next conference should be on the MDGs – and how to take a multi-sectoral approach to their delivery.

I look forward to hearing your views on this and the other issues on our packed agenda.

Thank you very much.
