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Summary of the UNCTAD XII pre-event, Workshop on Development Strategies in Africa

Summary prepared by the UNCTAD secretariat

1. The UNCTAD secretariat co-sponsored a workshop with the Friedrich Ebert Stiftung on 19 April 2008 which brought together a group of renowned African economists.[1] The purpose of the meeting was to solicit their views on African development-related problems in order to inform the deliberations at UNCTAD XII. The meeting discussed past development experience, new national and global developments and the way forward.

2. The main message was that Africa's recent economic performance had been good, but not good enough in terms of sustainability and inclusiveness, and that fresh policies were needed to ensure sustained and more inclusive growth, development and poverty reduction.

3. In recent years, Africa had attained its highest growth rates in the last three decades. The continent had consistently outperformed the world economy in terms of the rate of growth of output since 2002 with GDP expanding at about 5 per cent per annum, reviving hopes that it might finally be emerging from its long period of economic stagnation. The main driver of that growth had been high commodity prices on the back of strong demand from Asia, particularly India and China. Other contributing factors included higher inflows of official development assistance (although the actual volumes still fell short of donor commitments), debt relief and some improvements in macroeconomic management.

4. However, concerns remained over the fragility and hence long-term sustainability of that growth process, as indeed was the case with past African growth episodes. The new growth performance had not translated into a structural change in African economies and the creation of employment opportunities, exerting only a limited impact on poverty reduction. Private domestic investment had revived in only a few countries, and inefficient financial systems and weak tax collection mechanisms heavily reliant on narrow taxes bases undermined domestic

[1] The group included prominent economists from the United Nations Economic Commission for Africa, the African Development Bank, leading research institutions and NGOs in Ghana, and the Ghana Securities Exchange Commission.

resource mobilization. Most countries did not have well-defined strategies to take advantage of the present commodity boom; and had failed to exploit the advantages offered by the international trading environment due to weak productive capacities.

5. Consequently, there was a need for new direction and innovation in economic policy formulation grounded on clearly defined national development strategies that identified development priorities (for example, poverty reduction, employment creation, productivity enhancement, infrastructure and skills development) and targets consonant with the specific development challenges of each country.

6. Such a shift should be facilitated by the adoption of a more flexible and development-oriented macroeconomic framework, which was concerned not only with combating inflation but also with trends in the real economy, particularly with regard to investment. Both the private sector and the State had crucial roles to play in creating an enabling environment that was conducive to attaining national development priorities. Internal integration (i.e. linking rural–urban economies) and a regional approach to addressing constraints to development (for example, infrastructural bottlenecks) were crucial to the integration of African economies.

7. Specific recommendations were made in the areas of trade, particularly commodities, and finance as part of national development strategies.

8. With regard to trade, Governments should seek to capture a larger share of resource rents and manage them more effectively. In particular, it was important to use windfall income to increase productivity and investment and diversify the economy. That can only be done through public action. Current high food prices were adversely affecting many African countries that were net food importers, indicating a need for renewed efforts to increase agricultural productivity, particularly with regard to food. Such efforts should be part of a holistic framework designed to ensure improvements in entitlements, in particular through greater employment opportunities.

9. With regard to finance, there was a need to focus on improving financial intermediation with a view to enhancing domestic resource mobilization, improving access to credit and meeting in particular the long term financial resource needs of investors. That would also be critical to reducing high commercial interest rates which were currently too high for profitable private investment, in particular for small and medium-sized enterprises, including small farmers. Within that context, the establishment of new development finance institutions had become a necessity, albeit within new governance structures that built on past experience. There were emerging examples of such institutional innovations, for example in Burundi.

10. The effectiveness of those national development strategies depended on support from development partners and a conducive international trading environment and financial architecture. The inability of African countries to utilize fully the opportunities created by globalization called for an evidence-based approach to trade negotiations and mechanisms to tap fully into ever-increasing South–South trade flows.