

**Conference of African Ministers of Finance, Planning and Economic  
Development at the 40<sup>th</sup> session of the UNECA**

**High-level panel discussion on “*Accelerating Africa’s Growth and Development to  
Meet the Millennium Development Goals – Emerging Challenges and the Way  
Forward*”**

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**Mr. Chairman, Excellencies, Ladies and Gentlemen,**

I am honoured to be invited to speak at this important conference of African Ministers of Finance, Planning and Economic Development.

India’s experience, its successes and failures, offer many lessons that may be of relevance for Africa’s development. Indian economy grew at around 3.5 per cent over the ‘50s, ‘60s and ‘70s, at 5 per cent over the ‘80s, at more than 6 per cent over the ‘90s and in this decade we will grow at 7.5 to 8.0 per cent.

This makes me optimistic about Africa. African economies have also shown acceleration of their economic growth and are growing at 5 per cent this decade. Let us hope that in two decades from now they will be growing at 8 per cent or more and that Africa will generate the same excitement that India is doing today.

Historical Ties

- India’s cultural and economic ties with Africa are many.
- India shared with Africa, struggle for freedom and human dignity. In fact as Nelson Mandela observed Africa gave us Mahatma when a barrister turned into Mahatma Gandhi in Africa.
- Our trade relations have also a long history. India’s trade with Africa has been growing at 7% per year and is now nearly \$10 billion
- And is balanced
- Benefiting both of us
- Many opportunities for co-operation, in a variety of areas exist. We can work together for mutual benefits. It is particularly fortuitous that these are also areas which can lead to faster and more inclusive growth.

## MDG is inclusion

The Millennium Development Goals are about inclusion, about reducing disparities and bridging divides. To reduce poverty, to reduce infant mortality, to reduce maternal mortality, to improve nutritional status, to improve health status, to increase literacy, to bridge gender gap are all about including those thus far excluded.

## Broad based Rapid Growth Essential

The resources needed for inclusion require economic growth. Only rapid economic growth can provide that. In India and countries of Africa where agriculture provides livelihood to bulk of the population, agricultural growth must get the highest priority. At the same time only sustained rapid economic growth can create employment opportunities to absorb people leaving agriculture. Agriculture cannot grow beyond a certain rate and if the rest of the economy grows faster people must leave agriculture to maintain a reasonable ratio between per capita incomes in non-agriculture and agriculture.

## Policies for Faster and More Inclusive Growth

- How to attain faster and more inclusive growth? A comparative assessment of growth experiences of many countries show that government policies play critical role in promoting development. Proactive industrial policy that promotes domestic industries in a competitive environment is important. A competitive environment is crucial for without it industries would remain high-cost and non-competitive and would in fact slow down growth. Yet Government must also take measures for inclusion.
- In its 11<sup>th</sup> Five year plan which began yesterday on April 1, 2007, India is targeting “faster and more inclusive growth”. It aims a growth rate of 9% per year and has a set of very specific socio-economic goals that include aspects beyond the MDGs. These are listed in two boxes and include doubling of per capita income in 10 years, creating 70 million jobs and reducing poverty to less than 10% in 10 years.

### ***Monitorable Socio-Economic Targets of the India's 11<sup>th</sup> Plan***

#### **Income & Poverty**

- Accelerate growth rate of GDP from 8% to 10% and then maintain at 10% in the 12<sup>th</sup> Plan in order to double per capita income by 2016-17
- Increase agricultural GDP growth rate to 4% per year to ensure a broader spread of benefits
- Create 70 million new work opportunities.
- Reduce educated unemployment to below 5%.
- Raise real wage rate of unskilled workers by 20 percent.
- Reduce the headcount ratio of consumption poverty by 10 percentage points.

**Education**

- Reduce dropout rates of children from elementary school from 52.2% in 2003-04 to 20% by 2011-12.
- Develop minimum standards of educational attainment in elementary school, and by regular testing monitor effectiveness of education to ensure quality.
- Increase literacy rate for persons of age 7 years or more to 85%.
- Lower gender gap in literacy to 10 percentage points.
- Increase the percentage of each cohort going to higher education from the present 10% to 15% by the end of the 11<sup>th</sup> Plan.

**Health**

- Reduce infant mortality rate (IMR) to 28 and maternal mortality ratio (MMR) to 1 per 1000 live births.
- Reduce Total Fertility Rate to 2.1.
- Provide clean drinking water for all by 2009 and ensure that there are no slip-backs by the end of the 11<sup>th</sup> Plan.
- Reduce malnutrition among children of age group 0-3 to half its present level.
- Reduce anemia among women and girls by 50% by the end of the 11<sup>th</sup> Plan.

**Women and Children**

- Raise the sex ratio for age group 0-6 to 935 by 2011-12 and to 950 by 2016-17.
- Ensure that at least 33 percent of the direct and indirect beneficiaries of all government schemes are women and girl children.
- Ensure that all children enjoy a safe childhood, without any compulsion to work.

**Infrastructure**

- Ensure electricity connection to all villages and below poverty line (BPL) households by 2009 and round-the-clock power by the end of the Plan.
- Ensure all-weather road connection to all habitation with population 1000 and above (500 in hilly and tribal areas) by 2009, and ensure coverage of all significant habitation by 2015.
- Connect every village by telephone by November 2007 and provide broadband connectivity to all villages by 2012.
- Provide homestead sites to all by 2012 and step up the pace of house construction for rural poor to cover all the poor by 2016-17.

**Environment**

- Increase forest and tree cover by 5 percentage points.
- Attain WHO standards of air quality in all major cities by 2011-12.
- Treat all urban waste water by 2011-12 to clean river waters.
- Increase energy efficiency by 20 percentage points by 2016-17.

### *Important New Social Interventions of India's 11<sup>th</sup> Five-Year Plan*

- Provide one year of pre-school education for all children to give those from underprivileged backgrounds a head start.
- Expand secondary schools with provision of hostels and vocational education facilities to assure quality education to all children up to Class X.
- Expand facilities for higher and technical education of quality with emphasis on emerging scientific and technological fields.
- Provide freedom and resources to select institutions so that they attain global standards by 2011-12.
- Provide emergency obstetrics care facilities within 2 hours travel from every habitat.
- Ensure adequate representation of women in elected bodies, state legislatures, and the Parliament.
- Provide shelter and protection to single women including widows, handicapped, deserted, and separated women.

- The main challenges we face may sound familiar:
  - We need to step up agricultural growth
  - We need to remove large infrastructural bottlenecks
  - We need to deal with the skill shortages not only at the vocational level but also at the high end levels
  - We need labour intensive development of industries.
  - We need special measures for inclusion.

#### Raising Agricultural Growth

Stepping up agricultural growth calls for not only increased investment in irrigation and provision of inputs such as fertilizer and better seeds, but also conditions that provide remunerative prices for their produce to the farmers. Organised agricultural markets and connectivity with them through all weather roads help do this and also facilitate diversification and processing industries. Research to develop high yield varieties and extension services are also vital for sustaining agricultural growth.

#### Remunerative Prices to Farmers

- If farmers are to get the right price for their produce they must have access to what the market price is and the market must reflect the right price. A commodity market exchange can ensure that competitive prices prevail and a telecomm connectivity can provide farmers information on the prevailing market price.
- Development of both these, the Multi Commodity Exchange (MCDEX) and rural telephony have helped noticeably Indian farmers to get better prices.

- India's experience thus can offer important lessons to Africa which also has millions of small holder farmers in hundreds of thousands of small villages.

### **Infrastructure**

Infrastructure requires large investment. Infrastructure, till recently, has been developed largely by public sector in most countries. The performance of public sector in providing infrastructure services, quality of roads, stable quality power supply, efficiency of cargo handling, etc. has not been always satisfactory. India has used public-private partnership to attract private capital, to provide cost effectively quality roads and PPPs are increasingly becoming the preferred mode for construction and operation of infrastructure services.

PPPs must be seen to be in the public interest and this is best assured if the process is transparent and provides services at reasonable costs. The key to making it acceptable to people is to create an environment where PPPs are seen to be a way of attracting private money into public projects not putting public resources into private projects.

India's experience and its successes can provide many useful lessons for Africa. Indian firms which have participated successfully in Indian PPPs may be attracted to work in Africa as well. Also, we have developed model concession agreements for PPP, which may be useful to African countries who want to use PPP.

### **Financing Accelerated Growth**

- PPP can help mobilize finance from private sources. While this can help, more resources are needed.
- Financing infrastructure and other developmental needs for accelerating growth calls for a healthy financial sector that can intermediate efficiently between savers and investors. A well functioning financial market can be a great asset.
- India's National Stock Exchange became a rival to 100 years old Bombay Stock Exchange within less than 5 years. A real time online electronic trading system that it pioneered made it one of the most efficient stock market in the world with a very small transaction cost. Bombay Stock Exchange has emulated it.
- The benefits of a Pan-African stock market can be many and it can be done in a short period of time.
- Financial Markets Require Regulatory oversight – we have evolved it over 10 years – and our experience underscores its importance. It requires NOT ONLY laws but also skills. India's experience in developing stock markets, regulatory structures and capacity building may be of relevance to Africa.

## Policies for Inclusion

- Inclusive development must provide every citizen the education, the skills, the healthcare and others, supporting infrastructural facilities to function fully to her capabilities and the opportunities to employ the skills profitably.
- India has launched a time bound programme to ensure that by 2009-10 every child goes to school, every village is connected by all weather road, every village is electrified, every poor household is provided electricity, every one of 1.4 million habitation is provided clean drinking water and the poor are ensured 100 days of employment per year at prescribed minimum wage (which is generally above the market wage, at least for women) as a right..

## Capacity Building

Capacity creation is the most important challenge that developing countries face. India invested significantly in higher education – Indian Institutes of Technologies (IITs) and Indian Institutes of Managements (IIMs) in the 50s and national research labs. We have benefited a lot from them but now we face significant skill shortages as we have missed investing further in them. A second wave of expansion of higher education is about to begin in India. We are also launching a national mission to expand vocational skills in the country. Investment in education at all levels is a continuing process.

## IT-ITES opportunity

- India's success in Information Technology (IT) and Information Technology Enabled Services (ITES) shows that in the globalised economy even non-technical education can be fruitfully utilised. ITES has created large opportunities for fruitful employment of non-technically trained persons.
- The scope of ITES is large in Africa as well, which can be exploited if capacity building is done rapidly. Use of the internet and distance education can be very effective in doing this.

## India-Africa e-Network Project

- The importance of India-Africa Pan-African e-Network Project to create distance learning, tele-education and tele-medicine facilities with Indian institutes has enormous potential.
- The project envisages setting up an optical fibre or VSAT based linkage among all African countries. Providing telecomm linkages through a common satellite can transform the pace of capacity building in Africa.

- Linkages with Indian institutions, hospitals and universities are being established.
- Together we can accelerate the dawning of the new information revolution in Africa.

### Employment Creation

- Apart from agriculture and the services sectors, industry has to create employment too.
- Labour market flexibility can help in giving incentives to use labour intensive techniques. Labour market rigidity restricts employment.
- Yet, we need to provide flexibility with protection of workers. This is possible.

### Globalisation

- Globalisation - is a fact - not a choice and we all have to learn to live with it.
- Equally important is the increasing dominance of knowledge and skills. Technical innovations are taking place at an ever increasing pace, which makes product life cycles shorter and shorter. This necessitates that firms be larger and larger.
- Information Communication Technology (ICT) and transport revolutions have created some opportunities. The various elements of the production process or of a business organisation can be parceled out to different countries and done where they are performed best. The revolution that began by outsourcing of component manufacturing is now entered outsourcing of services as well.
- There lies the hope for developing countries. They can participate in the global economy and benefit from it. They can do so, however, only if they develop skills and capabilities.
- To fully benefit from globalization we must also have access to markets and freedom to protect our infant industries. However, we should protect industries in ways that protection does not become permanent.

### Governance and Outcome Accountability

- The measures to help the poor and the disadvantaged often fail to deliver desired outcomes. The problem of outcome accountability and effective governance is formidable.

- How to make these programmes deliver outcomes? You may build schools and employ teachers but how to ensure that students enroll and teachers attend and teach? India's Supreme Court has mandated that all primary school children be provided hot cooked mid-day meals. This has been implemented often with involvement of NGOs and parents, particularly mothers of children who attend the school. Mid-day meals have increased enrollment and attendance now exceeds 97 per cent. Yet how do we ensure that children learn? We don't have surefire solution and we need to experiment with different ideas.
- Similar difficulties are encountered in delivering health care in rural areas. We have set up primary healthcare centres but how to ensure that doctors are available? They don't want to live in rural areas. We have some examples of successful approaches that individual doctors and NGOs have followed to deliver excellent outcomes. These are not always easy to scale up.

### Participation and Citizen's Voice

Decentralization and participatory democracy are critical to deal with these. Without citizen's voice and a rule of law that listens to them, accountability is difficult.

We are using internet to empower people with information. Every village road built, every habitation provided drinking water, every village electrified, the names are on the internet for all to see. Also we have enacted a Right to Information Act where citizens can demand details of allocations, expenditures, etc.

### Democracy

Democracy is a key to inclusiveness.

India has been fortunate to have successfully operated an adult franchise based democracy in a multi-ethnic, multilingual, multi religious, multi cultural large country. The diversity is comparable to that of Africa. Our experience of democracy, our successes and failures can provide important lessons for Africa.

We would of course be glad to share our experiences and also learn about any shortcomings of it that outsiders may notice. Please look at it, learn form it and help us improve it.

## **Environmental Challenges**

While faster growth is necessary and desirable we need to minimize environmental consequences of such growth.

- There is no conflict here, for if you account for the consequences borne by the poor of degraded environment, the social welfare maximizing growth strategy would take care of environment. Planning for environment at the beginning can be cost effective while retrofitting may be more expensive
- Also a rapidly developing economy accumulates energy consuming equipment. An integrated energy policy that promotes efficiency of such equipment is vital.
- India has formulated such a policy framework and our target is to improve energy efficiency by 20 per cent in the next 15 years. Energy efficiency can help accelerate Africa's growth.
- Equally important is energy security to poor. Clean cooking energy is vital for their health. Indoor air pollution is estimated to lead to half a million premature deaths every year. Women spend 30 billion hours a year to gather fuel wood and the cost of illness, lost work time, etc. is estimated to be around \$7 billion a year.

### **In conclusion,**

- India and Africa have a tremendous opportunity for mutually beneficial partnership for attaining faster and more inclusive growth.
- Let us work together.

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