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ECONOMIC COMMISSION FOR AFRICA**

CHECK AGAINST DELIVERY

**Conference of African Ministers of Finance, Planning and Economic
Development
Fortieth Session of the Commission**

Statement

by

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**Addis Ababa, Ethiopia
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Mr. Chairman,
Your Excellency, Mr. Meles Zenawi, Prime Minister of the Federal Democratic
Republic of Ethiopia
Your Excellency, former President Benjamin Mkapa of Tanzania,
Mr. Donald Kaberuka, President of the African Development Bank,
Dr. Maxwell Mkwezalamba, African Union Commissioner for Economic Affairs,
Professor Firmino Mucavele, Chief Executive of the NEPAD Secretariat,
Honourable Ministers,
Senior Colleagues from the United Nations system,
Your Excellencies, Ambassadors,
Members of the Diplomatic Corps,
Distinguished Ladies and Gentlemen

I am honoured to welcome you all to the headquarters of the United Nations Economic Commission for Africa (ECA) here in Addis Ababa, our home for nearly fifty years. We thank you, Mr. Prime Minister for continuing to make us feel at home, and for supporting our activities, giving us access to you and providing advice and intellectual leadership for our work. We look forward to up-scaling our work with you and supporting you when you take over the Chairmanship of the NEPAD Heads of State and Government Implementation Committee and APRM Forum later this year.

Honourable Ministers,

This is the second time that I am addressing this gathering as Executive Secretary of ECA. I recall with gratitude your expressions of support and the assurances of close collaboration that I received last year. Since then, I have had the opportunity to work closely with many of you and have seen ample evidence of the strengthening relationship between you and your institution, ECA. Indeed, the presence of so many of you here bears ample testimony to your commitment to ECA.

For our meeting, we are honoured to have former President Mkapa in our midst. Your presence, Sir, is proof of your continued active and dynamic contribution to international affairs and of your commitment and strong dedication to African development.

I would like to recognize the presence of my good friend, Mr. Donald Kaberuka, President of the African Development Bank who made tremendous efforts to participate here. In similar vein, I also welcome my colleagues, Dr. Maxwell Mkwezalamba, representing the Chairperson of the African Union Commission and Professor Firmino Mucavele, Chief Executive of the NEPAD Secretariat. Their presence here is evidence of the strengthening partnership among our leading pan-African institutions.

Honourable Ministers,

Increasingly, your meeting is being seen as a very credible platform for deliberation and debate on the African development agenda. We in the United Nations believe in the role of this forum. The presence of several senior colleagues from the

United Nations and other international organizations is ample testimony to this belief. ECA values its relations with its partners in the UN system and we shall continue to work closely together to meet the special needs of Africa in accordance with the outcome of the 2005 World Summit.

We are also pleased to welcome Mr. Bobby Godsell, Chief Executive Officer of AngloGold Ashanti of South Africa who will bring a private sector perspective to bear on our deliberations. I also welcome in our midst, the Most Reverend Njongonkulu Ndugane, Archbishop of Cape Town, who is representing Africa Monitor, a leading African civil society organization.

Mr. Chairman,

This is our meeting so I mentioned our distinguished guests first. However, I cannot but express my most sincere feelings of appreciation to you, Minister Bouda and the entire Bureau for your sterling and competent handling of the affairs of the Commission over the past year. Honourable Minister, we also remember with gratitude the kind hospitality that the Government and people of Burkina Faso extended to us at our last Conference.

Excellencies,

Before I dwell on the theme of this Conference and the very good work done by the Committee of Experts, permit me to explain why your meeting is holding a little earlier than usual. A key consideration for meeting at this time of the year is to enable Ministers to interact and exchange views before other major gatherings that you will be taking part in later in the year. For instance, you will soon be going to Washington, DC for the Spring Meetings of the World Bank and International Monetary Fund. In May, you will be Shanghai for the Annual Meetings of the African Development Bank and later on the same month in Accra for the second African Ministerial Conference on Financing for Development. Our expectation is that in addition to addressing statutory issues of concern to ECA, the outcome of your deliberations here will help preparations for these and other key meetings like the G-8 Summit taking place in Heiligendamm, Germany in early June. The German G-8 sherpa is expected here at the head of his country's delegation to this meeting.

At your last meeting, you welcomed the repositioning of ECA. We have since gone beyond this to articulate an ECA Business Plan for 2007 to 2009. The Business Plan translates the Commission's new strategic vision into a concrete set of activities and also specifies the resources needed for its implementation. It was launched by the Secretary-General of the United Nations, Chairperson of the African Union and President of the African Development Bank in Addis Ababa in November 2006. African Heads of State and Government also endorsed the Business Plan at their January 2007 Summit and I expect that this Conference will give similar backing to the Business Plan.

Another important development since we last met was the signing of a Declaration on "Enhancing UN-AU Cooperation" by the Secretary-General of the UN

and the Chairperson of the African Union Commission. The Declaration provides an evolving framework for a UN Ten-Year Capacity Building Programme for the AU. In this regard, I am pleased to report that since then, and in response to the demands of the new UN-AU cooperation framework, the UN has taken steps to revamp its regional consultation mechanism of UN agencies working in support of the African Union agenda and its NEPAD programme. The membership of the regional consultation mechanism, which is coordinated by ECA, has also been expanded to include the African Union Commission.

Let me now turn to the theme of this Conference which is “*Accelerating Africa’s Growth and Development to meet the Millennium Development Goals: Emerging Challenges and Way Forward*”. When we met in Abuja in 2005 to review Africa’s progress towards achieving the MDGs, you said in your Ministerial Statement that:

“strong political will, bold and decisive action, is needed to establish the conditions for achieving sustained economic growth and to reduce poverty, as well as promoting sustainable development in Africa.”

In 2007, barely two years since Abuja, we have the MDGs again as the theme of our Conference. A legitimate question to be asked is why the MDGs again and what has changed since then?” The answer is that the bold and decisive action called for in your 2005 Ministerial Statement is yet to become a continent-wide trend. It should be noted however that several countries are beginning to take steps in the required direction. This is cause for cheer.

Nevertheless, there is need for urgency on our part. September this year will mark the mid-way point on the road to 2015, the target date for achieving the MDGs. Recent assessments, including the one that we have prepared for this Conference, indicate that although Africa is making progress towards the targets, the rate of progress is so slow that the region as a whole is at risk of not meeting the goals. As we approach this halfway mark, we are reminded that we will soon run out of time to make the critical investments that we need to make in order to make the on-target achievement of these goals possible. The issue then is how to bring about the required transformation.

The attainment of the MDGs for most African countries will depend on our ability to resolutely tackle key challenges. While the importance of these challenges will inevitably vary from country to country, I should highlight five interrelated broad categories of challenges facing most African countries. These include sustaining economic growth; scaling up development financing and public sector investments; getting the policy environment right; managing the risks of globalization; and ensuring peace and security.

From the perspective of meeting the MDGs, the challenge of economic growth relates mainly to the magnitude and sources of growth on the one hand and its redistributive effects on the other. In terms of magnitude, African countries have to reduce volatility in growth and ratchet-up the 5% growth rates recorded in the recent

past to the 7% adjudged as the minimum rate for halving poverty by 2015. Admittedly, this is just an average and the quantum of growth needed will vary from country to country.

In terms of sources of growth, three key issues arise.

- First, countries have to maintain and scale up the policies that led to recent improvements in growth. This should include a more vigorous tapping of the productive potential of the private sector with particular focus on support to small-scale enterprises, formalizing and increasing productivity of the informal sector, and encouraging novel national financial and innovative systems that are friendly to small domestic operators. Most African countries are Least Developed Countries and the importance of scaling up productive capacities for sustaining growth was recognized in the Brussels Plan of Action adopted at the Third UN Conference on the Least Developed Countries.
- Secondly, the role of the agricultural sector as the major source of growth in most African countries has to be emphasized in all government policies. In this respect, raising agricultural productivity and achieving rural transformation is paramount. Indeed, the objective should be a '*revolution in African agriculture*' by taking immediate measures to increase farm-level investments and address declining soil fertility, land reform, water, and climate related issues.
- Thirdly, African countries must strive to achieve a break-through in the struggle to reform the international trading system so that they can benefit from the dynamic gains from trade. A fair international trading system is indispensable if Africa's economic growth is to benefit from the engine of international trade. I therefore urge you, our Ministers, to do your utmost to reconvene the Doha Round and to ensure that its essential character as a development round is not weakened. I should stress in this regard that exploiting the full potential of intra-Africa trade is a necessary complement of these efforts.

Employment creation for the larger part of the population is a very important aspect of the content of growth. Indeed, the centrality of employment creation for poverty reduction and for meeting the other MDGs was affirmed by the Extraordinary Summit of African Union Heads of State and Government in Ouagadougou in 2004. Three items in employment creation need to be urgently placed on the agenda. These are the formulation and implementation of policies to overcome jobless growth; ensuring increased paid employment for women, which not only increases their empowerment, but also helps provide additional income to pay for food, education, and healthcare; and paying priority attention to creating opportunities for youth employment. Widespread youth unemployment can lead to restiveness and threaten social stability. It has already engendered a worrisome trend of life-risking international migration in several countries.

The redistributive effects of economic growth are important and need to be addressed. This pertains both to income inequality in terms of the unequal distribution of opportunities as well as the unequal distribution of income. These aspects of

inequalities operate in tandem to dampen the poverty-reducing effects of growth in many countries. They therefore need to be tackled.

The second category of challenges relates to the urgent need to scale up domestic and external financing. The consensus on external financing from Monterrey and other international processes is well known and widely publicized and the Paris Declaration on Aid Effectiveness is a useful complement to such outcomes. The issue therefore is implementation. In this regard, since many African countries are least developed countries, some of which are just emerging from conflict, Africa's partners should act to replenish the African Development Fund. The ADF is a credible and appropriate financing mechanism for supporting the development efforts of African LDCs. External financing should quite naturally support internal financing which entails a scaling up of domestic resource mobilization. This means increasing the rates of domestic savings, reducing the high transaction costs of domestic savings mobilization and creating a better investment climate for mobilizing foreign private savings.

Scaling up of financing is important for increasing public sector investments in infrastructure and improving social service delivery. The emerging consensus is that improved infrastructure and human capacities can play a catalytic role in promoting the kind of growth that will help to achieve the MDGs. Accordingly, we need to scale up interventions in infrastructure, in health and education, in protecting our environment, and in job creation, and we need to do that now. For example, governments need to fulfill the commitment that they made in the Abuja Declaration on HIV/AIDS, Tuberculosis and Malaria to allocate no less than 15% of their annual budget to health.

A third set of challenges relates to the policy framework in which there are a number of issues to be addressed. For instance:

- Poverty reduction strategies have to be harmonized and aligned with the Millennium Development Goals, especially in the context of scaling up. This was why the Cairo Meeting of the ECA's Peer Learning Group on Poverty Reduction Strategies called for the inclusion of MDGs in the remit of its work.
- The issue of policy space also needs to be addressed especially if national development plans are to be bold and ambitious. An overly restrictive macroeconomic policy framework and onerous international financial and trade obligations for African countries could be a constraint to any scaling up efforts. ECA's research and knowledge based activities is therefore geared to addressing this matter.
- Credible and reliable data sets are needed for monitoring and tracking progress in meeting the MDGs. This creates a major challenge of building a statistical base and statistical capacity in Africa. ECA is working closely with the African Union and African Development Bank to meet this challenge head-on.

The fourth category of the challenges is that of managing the risks of globalization. If not properly managed, globalization may bring about adverse effects of

trade and financial openness. It could also contribute to the brain drain of skilled workers from Africa and certainly requires greater partnership in the management of international economic and financial processes. These risks have to be managed such that Africa reaps the benefits of globalization while minimizing the fall-out.

Of course, it must be borne in mind that sustained peace, human security and good governance are preconditions for achieving Africa's development aspirations and are therefore deserving of equal attention. This is the fifth challenge that I wish to highlight. For many years, peace and security eluded many of our countries. Countries spent enormous amounts of limited resources on war. Infrastructure and lives were lost. Diseases spread faster than they otherwise would have. The economic cost of these wars in terms of growth foregone is high. According to a study by two leading observers of African economies, one year of conflict reduces growth rates by 2.2%. The same study estimated that it would take a post-conflict country roughly 21 years to achieve the GDP level that it would have achieved had there been no war. Peace and security is thus a *sine qua non* for accelerating growth and development to reach the MDGs on time. The African Peer Review Mechanism put in place by African countries themselves will help improve the conditions of governance that are necessary for maintaining peace. It is therefore deserving of our continued support.

We should recognize and applaud the impressive role of the African Union in quelling conflicts in Africa and wish them further success particularly in troubled spots like Darfur and Somalia. Today, the number of conflicts in our region has substantially decreased. However, we need to continue to support and put in place special mechanisms for post-conflict countries like Liberia and the Democratic Republic of Congo to prevent them from sliding back into war and civil unrest. The new UN Peacebuilding Commission has a critical role to play in post-conflict reconstruction and development and needs the assistance of all concerned to succeed in meeting its mandate.

In the outcome document of the 2005 UN World Summit, countries with extreme poverty were called upon to adopt and implement "*comprehensive national development strategies to meet the internationally agreed development goals including the Millennium Development Goals*". In doing this, it is essential that all of us, rich and poor, educated and non-educated alike, regard the MDGs as our ends. Thus far, most of the activity and deliberations on the MDGs have been carried out at the level of governments and donors. There is very little citizen participation. Yet success will depend critically on the involvement of all citizens, which is why I particularly welcome the theme of the recent African Civil Society Forum - "*Democratizing Governance at regional and global level to achieve the MDGs*".

Honourable Ministers,

Your Committee of Experts has debated the theme of the Conference and many other issues over the last three days. They will no doubt have briefed you appropriately on their discussions. However, to help us deepen our understanding of the issues and to enrich our discussion of the options and choices before us, an eminent panel has

been invited to provide perspectives on the Conference theme. This group includes former President Mkapa of Tanzania; Madame Valentine Rugwabiza, Deputy Director-General of the World Trade Organization; Mr. Kirit Parikh of the India Planning Commission, and Mr. Bobby Godsell of AngloGold Ashanti based in South Africa. We will also be making good use of technology to bring you interventions by Professor Jeffrey Sachs of the Earth Institute at Columbia University and Sir Nicholas Stern, Economic Advisor to the UK Government.

At our Johannesburg Conference in 2002, you urged us to rationalize the schedule of our meetings, in tandem with other continental institutions. Pursuant to that, we had since 2003, held our Conference back-to-back with the Annual Meetings of the African Development Bank. However, at the Second African Union Conference of Ministers of Economy and Finance (CAMEF II) you passed a resolution urging ECA and the African Union Commission to harmonize and organize their Conferences of Ministers of Finance jointly. We worked closely with the African Union to organize this Conference but your legislative mandate is required at this meeting to reaffirm your decision at CAMEF. There is already an existing model of joint Conferences between the African Union Commission and the United Nations that we can follow such as the Conference of African Ministers of Industry and the AU-FAO joint conference on agriculture. Of course, ECA will still continue to collaborate closely with the African Development Bank especially by continuing our joint ECA/ADB high-level Roundtable and panel discussions.

Before I conclude, permit me to refer to Claude Ake, the late pan-African academic who in his essay on *Democracy and Development in Africa*, wrote that: “*the problem is not so much that development has failed, as that it was never really on the agenda in the first place.*” Let us collectively resolve that our efforts to achieve the MDGs in Africa will not be described as: ‘*the problem was not so much that Africa failed to reach the targets of the MDG by 2015, but that the MDGs were not on the agenda in the first place*’. Let us continue to put the MDGs squarely on our agenda.

Addressing the OAU Summit in June 1994, Nelson Mandela called for an African Renaissance stating that: “*The time has now come for a ‘new birth’. We know that we have it in ourselves, as Africans, to change all this. We must assert our will to do so. We must say that there is no obstacle big enough to stop us from bringing about an African renaissance*”. Allow me to paraphrase this great African statesman to say that: ‘*We must re-assert our will to achieve the MDGs by the target date*’.

Honourable Ministers,

You have a full agenda before you and I shall not detain you any further. However, I wish to remind you that your organization will be fifty years next year and it would be quite appropriate and fitting to mark its golden jubilee. I know that we can count on your support in making necessary arrangements for this occasion, which will enable a reflection on ECA’s contribution to African development. It will also provide us with the opportunity to continue our common endeavour to actualize the vision of a peaceful, stable, secure and developed continent.

Thank you for your kind attention. I wish you successful deliberations.