



## **High Level Meeting on Africa's Development Needs: State of Implementation of Various Commitments, Challenges and the Way Forward"**

22 September 2008

### **Summary Report Side Events**

**Title: "Accelerating Poverty Reduction and Economic Growth: Transforming African Countries into Tiger Economies"**

**Date and Venue: 22 September 2008. Delegates Dining Room 5,6,7,8.**

**Organizers: UNIDO, AGRA and UNCTAD**

**Chair: Mr. Kandeh K. Yumkella, Director-General, UNIDO**

#### **1. Introduction**

The side event, which was co-hosted by UNIDO, AGRA and UNCTAD, had as its theme "Accelerating Poverty Reduction and Economic Growth: Transforming African Economies into Tiger Economies".

Half of the global population is still living in abject poverty and Africa remains particularly afflicted: Many of its people exist without adequate food, shelter, health, education or influence on decisions that affect their lives, and the Millennium Development Goal of halving the proportion of people living in extreme poverty by 2015 may not be met by many countries in sub-Saharan Africa. This trend is reinforced by civil unrest and war in some parts of the Continent, leading to the continued existence of failed and fragile states in what Paul Collier has coined the "bottom billion".

Meanwhile the developed world moves on, drawing ever more closely together in global economic integration, rapid technological advance and increased prosperity. The stereotype of "Africa" in this global picture appears sidelined – or worse – a vast Continent largely reliant on foreign aid for many of its basic needs while not being able to translate its own rich natural resources, markets and people into sustainable economic growth.

However, a second look at the realities of the Continent reveals another truth: World Bank estimates show a sharp acceleration in economic growth, particularly in sub-Saharan Africa. The average growth rate has increased from 5.7 percent in 2006 to 6.1 percent in 2007 – the region's fastest growth in more than three decades. Throughout the Continent burgeoning economic activity is flourishing: entrepreneurs developing and producing goods, trading with others, and

setting in motion whole chains of industry. These are the green shoots, which – if encouraged by partners in international development – will transform Africa.

### **Main issues and challenges**

Industry plays a pivotal role in this transformation process by reducing poverty, modernizing societies and bringing economic prosperity. All the developed countries and the newly industrialized nations of Asia, without exception, have used industry and the private sector as the main vehicles for achieving economic growth and wealth creation for their populations. Clearly, Africa can do the same. The challenge is to bring about the full participation of African entrepreneurs in the global economy by promoting small and medium-sized enterprises and thus creating the “missing middle” between a few state-owned enterprises on the one hand and the myriad of micro-businesses in the informal sector on the other hand. In particular, this calls for diversifying production, developing products up the value chain, ensuring that these goods can be traded internationally and fairly, engaging transnational corporations, and encouraging them to link up to local business. Linking agriculture to other economic sectors, including through increased agricultural productivity, rural industrialization and the expansion of agricultural markets is, crucial.

A further challenge is the “greening” of economic growth. Africa can become a true world leader in de-linking industrial growth from environmental degradation by building upon clean production and developing its own environmental services industry. It is clear that African countries, first and foremost, need access to energy for economic development. It is also evident that the climate change agenda must be reconciled with the development agenda so as to be credible and realistic. But there is no doubt that opportunities abound for the Continent to fulfill its potential in using wind-, solar-, bio-, and small hydro-energy. Such sustainable industrial growth generates employment and encourages the development of new skills and attitudes. It acts as a catalyst in the adoption of new and improved technologies and helps to drive innovation.

So far, however, Africa does not have a vibrant private sector to provide employment opportunities for its teeming populations to create the individual and societal wealth that meets basic needs and beyond. Pockets of success exist, but this must be brought together into a cohesive whole through well-designed and implemented industrial policies: East Asia already demonstrated how properly developed policy can change societies and lives for the better. Today there is a real opportunity to reinforce dynamic sources of growth through appropriate policy advice to governments and assistance in building up well-functioning, inclusive markets and effective support institutions.

## **2. Organization**

The side event, which was co-hosted by UNIDO, AGRA and UNCTAD, had as its theme “**Accelerating Poverty Reduction and Economic Growth: Transforming African Economies into Tiger Economies**”. The event was chaired by Mr. Kandeh Yumkella, Director-General of UNIDO. Opening remarks were given by Ms. Asha-Rose Migiro, Deputy Secretary-General, UN. The panelists were:

- Mr. Namanga Ngongi, President of AGRA;
- Mr. Stefano Manservigi, Directory-General of Development Cooperation, EC;
- Ms. Patricia Francis, Executive Director, ITC;
- Mr. Charles Gore, Special Coordinator for Africa, UNCTAD;

- Mr. Cheick Diarra, Under-Secretary-General and High Representative, UN-OHRLLS.

Around 80 participants from member state delegations, the UN system, the private sector and civil society actively contributed to the discussions.

### **3. Summary of Discussions**

Following opening remarks by the Director-General of UNIDO aimed at setting the context for the discussions, the Deputy Secretary-General highlighted the challenges ahead as well as some of the reasons for optimism. These included evidence of the “green shoots” of growth in Africa and of the existence of talent, creativity, ambition and dynamism throughout the continent. As a result growth rates in sub-Saharan Africa of about 6 percent per annum had been achieved in recent years. Challenges such as increasing foreign direct investment and the importance of reaching agreement over trade were also mentioned.

The panelists highlighted the examples of so-called Tiger Economies both those in Europe such as Ireland and those in Asia. In the case of Ireland, a number of factors have been used to explain its rapid economic growth, although there is no consensus over which factors were the most important. The factors included low corporate taxes, relatively low wages, high FDI and EU membership. In the case of FDI, it was clear that the fact that the Irish workforce was one of the best educated in Europe by the 1990s, was a major attraction to potential investors. In the case of EU membership, Ireland had paid in some 10 billion Euro between 1973 and 2001, yet received some 43 billion Euro. The large Irish community in the US was also suggested as one of the reasons why Ireland was able to attract US investment. This could perhaps be replicated in Africa which already has large communities in the US and elsewhere.

In the case of Asia, panelists highlighted how many Asian economies had established not just a foothold, but a presence on the ladder of development. The strategy of the Asian Tigers to develop human capital, in particular in science and technology, was a factor that Africa could emulate. The correct application of monetary and fiscal policy signals to domestic and foreign investors was also seen as crucial, including in order to stimulate domestic savings. Increasing the tax base and making tax collection more efficient were important, as were improvements in the financial sector. But ultimately increasing domestic resource mobilization would depend on reducing risks and increasing profitability of investments.

The challenge of creating productive employment in Africa – particularly given the rapidly growing workforce - was emphasized by several speakers and echoed by other participants. Increasing numbers are leaving the rural areas without enough industrialization occurring in the urban areas to absorb them. African economies need to move from commodity-led growth to catch-up growth, as the Asian Tigers had done before them. Several speakers stressed the need for significant investment in youth and in women’s empowerment and development, not least as some 70% of the poor are women.

The panelists and participants also highlighted the importance of the agricultural sector, including the need to increase investments in agro-industry and in technology to reduce post-harvest losses. Increasing the value-added of agricultural products would contribute to a shift away from purely commodity based exports. The scaling up ODA and rebalancing the sectoral allocation of aid so that a greater share went to productive sectors, such as agriculture could contribute to these objectives.

The role of the state was also discussed during the meeting. Setting the right macro-economic environment was widely seen as key – without an enabling environment it would be impossible to increase investment significantly. The potential of regional integration for accessing the global economy and reducing transaction costs was also highlighted by some.

The challenge of providing clean energy supplies that would support sustainable economic growth was also discussed during the side event. It was now generally accepted that reliable energy supplies were a prerequisite for economic growth – yet huge numbers of African were unlikely to have access to modern energy supplies in the near future. Increased efforts needed to be made to ensure that energy supplies were available to meet to the basic needs of the poor and to power the industries of the future.

\* \* \* \* \*

