Action for Africa in 2005

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I would like to start by thanking you for inviting me to speak here today. It is a privilege and a pleasure to join such an interesting group of policy-makers and NGOs in this discussion on **Action for Africa 2005** in the capital of Europe.

We have in the first few weeks of 2005 seen a renewed global political interest in the fight against global poverty. Not since the Monterrey Conference on Financing for Development almost three years ago and the Johannesburg Summit on Sustainable Development that same year have we seen the sense of urgency and collective thinking on issues of global poverty as we are now experiencing.

What we have also seen is that when politicians want to act, they can. Rich countries can and do find the money. In just one day in November last year, the Paris Club agreed to cancel more debt to Iraq without any conditionalities, no track record, no democratically elected government, than Africa has had in 6 years.

So politicians do act when the perceived need to do so is strong. As Jeffrey Sachs reminded us on 17th January, the practical solutions to Africa's development challenges exist, the political framework has been established (i.e. Millennium Development Declaration and the Monterrey Consensus) and the cost of achieving the MDGs is “utterly affordable”. All that is needed is action.

This is why the title of the meeting this morning is both appropriate and timely: Action for Africa in 2005. The challenge for us as campaigners, policy-makers, and lobbyists is to ensure that the inconsistencies in the provision of debt relief and aid and global economic policies do not persist.

When the UK Prime Minister, Tony Blair, established the Commission for Africa last year, he asked us to look at a range of issues constraining growth and development in Africa, including areas like conflict and instability, human development, inclusion and participation, and sources of growth, opportunity, trade, aid and debt relief – and to recommend actions to the G8 and other countries that will strengthen Africa’s own development efforts.

Why action for Africa, why now? The answer to this question is quite simply that more than ever before, Africa now has the capacity to use more aid and debt relief productively to make the leap towards ending poverty in Africa.

Over the past ten years, governments across Africa have taken critically important steps in meeting that challenge. More democratic states and fewer civil conflicts are just two signs of our progress. Africa has also achieved unprecedented macroeconomic stability, contributing to better economic growth rates than we have achieved in decades. The average growth rate for Sub-Saharan Africa is expected to exceed 5 percent in 2005. Inflation is expected to average 9.9 percent in 2005, with the high inflation rate countries the exception rather than the rule. Underpinning these improving inflation figures are fiscal balances that declined from an average deficit of 5.2 percent to GDP in 1994 to an average of 0.9 percent in 2005.

Through the African Peer Review Mechanism, we have set standards and benchmarks on good governance in our countries. This is supported at the national level by local systems of accountability, transparency and greater participation of our people in decision-making processes.

Our absorptive capacity has improved, and could be improved even further as the policies of our development partners become more supportive of our efforts. Africa is ready for a new kind of partnership.

But Africa also needs a new kind of partnership. Five years on, it is evident that progress towards the MDGs is not good. On present trends, Africa will not only miss all the MDGs in 2015, but would likely take another 100 years to get near to halving poverty.

The human development needs are vast. The number of people living in absolute poverty in Africa has risen from 227 million in 1990 to more than 300 million in 2001. Most estimates suggest that meeting the financing needs of the MDGs in Africa would require at least $25 billion annually. In spite of this, the net flow of resources continues to flow from the poor countries to the rich, not from the rich to the poor. In 2002, low-income countries received about $27 billion in aid but paid back $39 billion in debt repayment to rich country creditors – a net outflow of $12 billion. And these figures do not include the net draining of resources in the form of dividend flows from private sector firms operating in Africa.

Why action for Africa, why now? Another good reason is that we need action now because we know much more about what works and what does not work.

We know that aid and debt relief work and they work particularly well when given as predictable, untied support for national development strategies. As an example, debt relief to Tanzania enabled the Government to make primary education free. As a result, more than 2 million children go to school in Tanzania. In Benin, about 43 percent of debt relief went to education, where it financed the recruitment of teachers for empty posts in rural areas. Another

54 percent was spent on health, of which a fifth was used to recruit health staff for rural clinics and the remainder was allocated to implementing HIV and AIDS and anti-malarial programmes, improving access to safe water and increasing immunisation.

Our success as the Commission will depend on whether we can turn these experiences and our collective knowledge into concrete commitments for a big push for sustained growth and development in Africa. The momentum must come from reform both in Africa and from within our development partners.

Africa needs to sustain progress and avoid costly policy reversals. Given the small sizes of our economies and our deficient economic structures, we must become much more serious about integrating and diversifying our economies, including rationalising our overlapping regional economic communities. Africa has been slow to develop the sort of international institutions capable of assisting in the policy and sectoral adjustments needed to benefit from globalisation. The OAU was notoriously weak in this area. Regional institutions and arrangements have also lacked the institutional capacity to offer external support to adjustment or to create the large-scale infrastructure projects to support market creation. And that weakness is often mirrored by the cautious approach of many African states to integration, largely because of a perception that regional integration results in a loss of sovereignty or policy autonomy.

Significant and rapid progress in market access for products from Africa to the OECD countries is critical. Trade is one of the most powerful forces linking our lives, and a source of unprecedented wealth. Oxfam has estimated that if Africa increased its share of world exports by one per cent, it would generate $70 billion – approximately five times what the continent receives in aid.

The worst examples of trade-distorting subsidies and support[1] are found in the European Union. In total, OECD countries spend a total of US$ 1 billion a day in subsiding their farmers. This benefits only 2 percent of your populations, while in Africa it impacts on 70 percent of the population who is living in rural areas.

When developing countries export to OECD countries, they face tariff barriers that are four times higher than those encountered by rich countries.

Non-tariff barriers, such as arbitrarily imposed phytosanitary rules further limit goods exported to the OECD.

The problem is not that international trade is inherently opposed to the needs and interests of the poor, but that the rules that govern it are rigged in favour of the rich. The international trading system is not a force of nature. It is a system of exchange, managed by rules and institutions that reflect political choices. Those choices can prioritise the interests of the weak and vulnerable, or the interests of the wealthy and powerful. The WTO Doha Development Round must start a process of reforming the global trading system to create more opportunities and benefits for developing countries.

As Commissioners we do not claim to know everything. Development is a learning process. Our consultations in Africa and elsewhere however have been an enriching experience. We know much more about what works and what does not work. Real progress is being made in Africa. Inaction for Africa in 2005 runs the risk of dissipating the momentum for change that we have created. The challenge for the international community is to get behind efforts in Africa in a much more systematic and benign way.

Thank you

[1] In the WTO, only a small margin of the domestic support for farmers is classified as “subsidies”. A Much larger group of trade-distorting interventions is classified as domestic support.