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STATEMENT BY

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ON

**THE OCCASION OF THE FIFTH SESSION OF THE OPEN WORKING
GROUP ON SUSTAINABLE DEVELOPMENT GOALS (OWG-SDGs)
(Sustained and inclusive economic growth, macroeconomic policy questions
(including international trade, international financial system and external
debt sustainability), infrastructure development and industrialization),**

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Mr Chairman,

- **Inclusive economic growth**

The global outlook for Africa remains positive, however, the weakness of the global economy continues to impact negatively on Africa's export volumes. The main engines of growth in Africa are mainly the agricultural and natural resources sector, unfortunately, manufacturing enjoys a low profile. To counter this, many African countries have taken measures to diversify their economies.

The continent is showing a healthy resilience to internal and external shocks and asserting its role as a growth pole in an ailing global economy. The growth momentum has however, eased somewhat in those countries with a strong link to global markets. The same also applies to those countries facing political and social tension. With a gradual recovery of the global economy, the continent's average growth of gross domestic product (GDP) is expected to amount to 4.8% in 2013 and 5.3% in 2014.

Despite all efforts to move forward in a sustainable manner, growth in Africa still remains largely dependent on domestic activities as exports remain subdued. Domestic demand and improved supply conditions are still the main driving forces in many African countries driven by consumption and investment, both public and private. Higher earnings in domestic sectors, and expanding consumer credits backed private consumption.

Even though some African countries are still experiencing political and social instability, Africa's economic outlook remains cautiously optimistic. Africa's impressive growth over the past 15 years, underpinned by its resilience during the 2009 global recession and the recent global downturn, support this optimism. The main short-term challenge for the continent is to consolidate stable macro-economic conditions in the face of a more volatile global economic environment. In addition, institutions and regulations for private sector activity must be further improved. Addressing infrastructure bottlenecks and increasing access to key public services such as education, health and security would put countries on a sustainable growth path and assist with the reduction of poverty and inequality.

There is also an urgent need to create more and better jobs, not just by sustaining the pace of growth, but by making it, more inclusive, as job creation will be the one of the qualifying factors, determining the continuation of growth in Africa. Growth has averaged 5.1% since 2000, doubling the average growth rate of the 1990s. However, the employment-to-population ratio, which measures the share of the working-age population in active employment, has remained virtually unchanged over the last 20 years. It reached 60% in 2011, compared with 59% in 1991.

Finally, growth has not been inclusive and income inequality is rising because of the low employment response to growth, made worse by rising inequality in the distribution of opportunities. This has direct consequences for Africa's youth bulge, which has resulted in high rates of illegal migration. We need to work together to change this trajectory as we approach a new development epoch post-2015. We need to explore best economic models that ensure sustained and inclusive growth that responds to the socio-economic challenges facing developing countries, particularly Africa.

- **International finance and trade**

Given low domestic savings, African countries require substantial external financing through Official Development Assistance (ODA), Foreign Direct Investment (FDI) and debt reduction in order to grow their economies, reduce poverty, and lift living standards to acceptable levels. It is important that these resource flows are transparent and predictable to enable African governments to engage in proper budgetary planning and investment in economic and social infrastructure. As we know, many African countries are highly dependent on international trade and investment to support their growth and development. However, the current playing field in world trade remains highly uneven and biased against developing countries' interests. Persistent protectionism in some developed countries continues to undermine the agricultural development and food security concerns of a large number of developing countries, many of which are in Sub-Saharan Africa. There is an urgent need for the development and a global agreement on fair trade rules to ensure sustained and inclusive economic growth that responds to the socio-economic development challenges in the 21 Century.

The Doha Round was launched in 2001 with an explicit commitment to place the needs and interests of developing countries at the heart of the work programme. Importantly too, it was agreed that agriculture would be at the centre of the Doha Development Agenda (DDA) and that its outcome would set the level of ambition for the overall ambition in the Round. The removal of distortions in global agricultural trade is therefore the core issue in the Doha Round and is a litmus test for a development outcome.

African countries remain committed to concluding the Doha Round on the developmental principles and mandate agreed at Doha in 2001. It is imperative to maintain the coherence of the Doha Development Agenda and to uphold the principles of multilateralism and inclusiveness. The so-called "new approaches" being sought by some developed countries are nothing more than a disguised attempt to substantially raise their current level of market access into developing countries.

- **Infrastructure development**

The African economy has undergone fundamental changes over the last decade. Growth in investor interest is driven by strong economic growth, rising foreign exchange reserves, quality and cost competitiveness and encouraging Government policy-making. The strong level of economic growth achieved in Africa in recent years has led to an expansion of industry, commerce and per capita income.

Infrastructure development remains the cornerstone of the African economy and it is crucial for African governments to step up their investment in this sector if poverty is to be eliminated in Africa. Africa has undergone fundamental changes over the last decade which in turn has fuelled demand for infrastructure services including energy, transportation, ICT, water supply, growing agriculture and urban infrastructure.

Mr Chairman,

According to the Africa Infrastructure Country Diagnostic (AICD) Study of November 2009 that was undertaken by the World Bank on behalf of the AU Commission, the NEPAD Secretariat (now known as the NEPAD Planning and Coordination Agency) and the African Development Bank, Africa's infrastructure deficit is suppressing per capita economic growth by 2% each year and reducing the productivity of firms by as much as 40%. It is further noted that Africa is faced with a rising infrastructure spending backlog of US\$93 billion annually, with approximately two-thirds needed for investment and one-third for maintenance.

Under the auspices of the African Union, Africa established the Programme for Infrastructure Development in Africa (PIDA) in 2010. The programme has been designed as successor to the NEPAD Medium to Long Term Strategic Framework (MLTSF), to develop a vision and strategic framework for the development of regional and continental infrastructure (Energy, Transport, Information and Communication Technologies (ICT) and Trans-boundary Water Resources). The overall goal of PIDA is to promote socio-economic development and poverty reduction in Africa through improved access to integrated regional and continental infrastructure networks and services. PIDA provides new analysis and insights to bring together, under one coherent programme, existing or previous continental infrastructure initiatives such as the NEPAD Short Term Action Plan, the NEPAD Medium to Long Term Strategic Framework, the AU Infrastructure Master Plans and the African water vision. It fills in gaps and, based on previous lessons, assigns appropriate weight to the value of local ownership, the necessity of both hard and soft interventions, the need for diverse financing and the importance of sound implementation strategies.

One of the flagship projects is the North-South Corridor, which aims to rehabilitate Africa's rail and road infrastructure from Durban to Dar-es-Salaam. It is increasingly recognised that investment in infrastructure can provide impetus to building Africa's industrial capabilities.

Although Africa is spending much more on infrastructure development, a huge funding gap remains and needs to be supported by the private sector and donor community. As such, the private sector

should be encouraged increase its investments in this crucial growth sector. We need partnerships that will make these investments programmes a reality.

- **Economic Cooperation, Regional Integration & Trade**

Significant efforts towards regional economic integration are under way in all regions of the world, involving developing and developed countries alike. Africa is not an exception to this trend. Efforts to integrate the economies of African countries can be traced back to 1910 when the Southern African Customs Union (SACU) was established. While SACU's conception was not driven by sovereign states per se but rather a decision from the Colonial rulers – the British Empire to facilitate economic engagement, the importance of trade integration cannot be over-emphasised. On a Continental basis, the establishment of the Organisation of Africa Unity in 1963 which was disbanded and replaced by the Africa Union in 2002 attest to Africa's drive to secure a long term economic and political future.

Despite the numerous efforts to integrate, very few successes have been attained. Africa has been lagging behind in terms of global competitiveness although it has enormous growth potential. For Africa, regional integration remains the key strategy for governments to accelerate the transformation of their fragmented small economies, expand their markets, widen the region's economic space, and reap the benefits of economies of scale for production and trade, thereby maximizing the welfare of their nations.

Motivated by a consensus that by merging its economies and pooling its capacities, endowments and energies, the continent can overcome its daunting development challenges, the Abuja Treaty (1991) laid the groundwork for the creation of the African Economic Community (AEC), with the regional economic communities (RECs) serving as the building blocks. The RECs are expected to merge into the African Common Market between 2019 and 2023.

Removing existing trade-related constraints within the African continent is expected to stimulate intra-African trade, helping to push economies towards more diversified structures of production and leading to significant economic benefits necessary to enhance development in Africa. As such, it is crucial to ensure that the expected gains from such an undertaking will be fairly distributed among the population.

Although there seems to be doubt that the proposed plan to set up a Continental Free Trade Area (CFTA) by 2017, may be practical, African governments are increasingly aware that socio-economic development is an essential pillar of securing a peaceful and stable continent. Agricultural development, and in particular the consolidation of its competitiveness, is seen both as one of the pillars of much-needed structural transformation and as an avenue to reducing poverty.

Intra-African trade – which is linked to greater regional cooperation and stability – has become quite a buzz word in Africa since it was pointed out that only 11% of Africa's trade is within the continent, compared to Asia, where 50% of total trade is between countries in the region. African governments have, over the last number of years, taken up the challenge and announced ambitious plans for mega continental infrastructure projects, development corridors and free trade areas – a continental integration seen as one of the essential drivers of African development. Essentially, African exports are directed outside the continent. The share of trade that is intra-African is very low. Still, agricultural and food products (along with other industrial products) are the products most likely to be traded within the continent, amounting for about one-fifth of the sector's total exports. Primary products, however, are almost entirely exported to destinations outside Africa. Adding value to these primary products could enhance the prospects for Africa's economic transformation and cement its place as the new global growth pole.

The share of manufacturing, in both intra-African and extra-regional trade has also been falling over the last decade. This is due to a process of de-industrialisation. While African companies may currently not be competitive enough, there is in urgent need of an upgraded road and railroad infrastructure to ensure that once the competitive challenge has been addressed, Africa will not be further disadvantaged due to poor and failing infrastructure. Africa currently has fewer kilometers of roads than it did 30 years ago and the region has the highest costs for transporting goods in the

world. Although the usual issues that plague productivity such as lack of sufficient energy supply and lack of skilled labour play a role, peace and security, remains one of the main obstacles to trade and economic development.

- In conclusion, the importance of the themes under discussion, cannot be ignored as they seek to address issues of equity and policy space to ensure that developing countries are able to pursue policy options and embark on global partnerships to realise their development aspirations, while ensuring environmental sustainability.

I thank you.