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Agenda item 12

**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD  
ON ITS FIFTY-THIRD SESSION**

Held at the Palais des Nations  
from 27 September to 2 October 2006 and 10 October 2006

Rapporteur: Ms. Ana Inés Rocanova (Uruguay)

**Agenda item 4 (Africa)**

Speakers:

Special Coordinator for Africa	Finland for the EU and the acceding countries of Bulgaria and Romania	China
Angola for the African Group	Rwanda	Djibouti
Republic of Korea	Cuba	India
Benin for the LDCs	Russian Federation	Egypt
Brazil	South Africa	Chad
Senegal	Norway	OCAPROCE
Japan	Zimbabwe	Special Coordinator for Africa

**Note for delegations**

This draft report is a provisional text circulated for clearance by delegations.  
Requests for amendments to statements by individual delegations should be communicated  
by **Tuesday, 17 October 2006** at the latest, to:

UNCTAD Editorial Section, Room E.8106, fax no. 917 0056, tel. no. 917 1437.

## **ECONOMIC DEVELOPMENT IN AFRICA: DOUBLING AID – MAKING THE “BIG PUSH” WORK**

(Agenda item 4)

1. For its consideration of this agenda item, the Board had before it the following documentation:

“Economic Development in Africa: Doubling Aid – Making the “Big Push” Work”  
(Overview) (TD/B/53/4)

*Economic Development in Africa: Doubling Aid – Making the “Big Push” Work*  
(UNCTAD/GDS/AFRICA/2006/1)

2. The **Special Coordinator for Africa**, while welcoming the commitment to a doubling of aid to Africa, said that this could not create the conditions for sustained growth on the continent without a change in policies and a rethinking of the present aid system. Although Africa had received some \$580 billion in aid in the past 40 years, growth had been slow and poverty had increased. The UNCTAD report entitled *Economic Development in Africa: Doubling Aid — Making the “Big Push” Work* pointed out that the exigencies of Cold War politics had determined aid flows in the 1960s and 1970s. In the early 1980s, a global recession had resulted in a sharp and secular decline in the prices of Africa’s commodity exports, and losses suffered had not been compensated for by aid or other capital inflows. As a result, loans and aid were sought from multilateral financial institutions and bilateral donors, which were predicated on conditions that entailed liberalization, deregulation, privatization and painful austerity measures. The result was weakened State institutions, low growth and increasing poverty, de-industrialization, unemployment, a major shift to the informal sector and sprawling urbanization. The international aid system was chaotic, as it lacked coherence, uncoordinated, unpredictable, costly to manage, and more often based on the preferences of donors than on the development priorities and programmes of recipients. The share of aid to the social sector had increased considerably, with a corresponding fall in the areas of infrastructure, productive capacity and agriculture.

3. The report suggested that it was perhaps time to consider a new international aid architecture with a much larger multilateral component, to be brought under a single funding mechanism, preferably under the auspices of the United Nations. The proposed new aid architecture could benefit from the lessons of the Marshall Plan and other successful aid experiences, from both Asia and the EU. Such an approach would ensure greater coherence, transparency and accountability, and would help eliminate much of the present chaos afflicting aid delivery by requiring that aid be an integral part of the resource envelope for funding coherent development plans. The NEPAD peer review mechanism could ensure transparency and coordination. The report proposed the establishment of a forum within UNCTAD, such as a Commission on Aid and Development, where the concerns of aid recipients regarding the operation of the aid system could be aired.

4. The representative of **Angola**, speaking on behalf of the **African Group**, commended the UNCTAD report on economic development in Africa as a critical, comprehensive and analytical assessment of the current aid system and its impact on African countries. The international development community's commitment to double aid to Africa by 2010, and the progress made so far to translate this commitment into reality, were noted. The report rightly pointed out the inefficiencies of the existing aid system, as recognized by

the Paris Declaration on Aid Effectiveness. Increasing the share of multilateral aid in total aid flows should go hand in hand with addressing the unpredictability, incoherence and non-transparency that plagued the current system, as well as reducing the influence of geopolitics on aid disbursements. It should also provide the opportunity to reduce conditionalities to the minimum. An increased share of grants would prevent a re-emergence of the debt overhang, while channelling aid through national budgets would strengthen local ownership and ensure that increased resources addressed national development priorities and requirements. Channelling aid through the budgetary process should also strengthen local institutions and contribute to more effective tracking mechanisms for aid expenditure, and to greater transparency and accountability. The NEPAD process should be drawn upon to strengthen accountability, ownership and inclusiveness at national levels. A Fund for African Development under the auspices of the United Nations should be established as a means of addressing the problems examined by the report. This should be informed by the lessons of the Marshall Plan, as well as by positive aid experiences in East Asia and the European Union. Also, the creation of a Commission on Aid and Development in UNCTAD would provide a forum for monitoring aid commitments and for exchange of views and experiences among donors and recipients. The ongoing Mid-term Review process could be used to initiate the setting up such a commission, which could then be approved at UNCTAD XII in Ghana in 2008. Lastly, the secretariat should be encouraged to continue its ground-breaking, critical and in-depth analysis of African development, which should inform its policy advice and technical assistance programmes in the relevant areas, so as to facilitate the attainment of the MDGs.

5. The representative of the **Republic of Korea** observed that there was cause for optimism regarding Africa's development in the light of observed a number of positive developments, such as the recent increases in FDI flows to the continent, revenue gains following an increase in commodity prices and the donor community's promise to double ODA to Africa by 2010. In order to play its part fully, the Republic of Korea had pledged to share its development experience with Africa and had proclaimed 2006 the "year of Africa". In this context, it had made a number of commitments, including tripling ODA to Africa by 2008, providing training to Africans in the areas of health and education, supplying communication technologies to the continent and launching the Air Ticket Solidarity Contribution to generate additional funds for Africa's development. The Republic of Korea intended to act in close cooperation with the African Union and NEPAD, and through a Consultative Korea-Africa Forum, to ensure that its aid addressed the main priorities identified by Africa's representatives.

6. The representative of **Benin**, speaking on behalf of the **least developed countries (LDCs)**, praised the quality of UNCTAD's report, and expressed support for its findings and conclusions. The socio-economic situation in Africa had scarcely improved despite a multiplicity of good intentions towards the continent. Africa continued to be marginalized in the world economy, as evidenced by its insignificant 2 per cent share in international trade and 3 per cent share in private investment flows. In 2004, FDI flows to Africa had accounted for a mere 8 per cent of total flows to developing countries. Low industrialization, lack of infrastructure and heavy dependence on raw commodities were some of the factors responsible for the continent's marginalization. Tariff barriers, disguised protectionism and export subsidies in developed countries added to this picture to further remove Africa from the international economic system. International trade, which should constitute an engine for development, contributed to a worsening of the economic situation in Africa and the LDCs. Although the G-8 had promised to double aid flows to Africa by 2010 and to cancel all

multilateral debt owed by the 18 HIPC completion point countries, public debt in Africa still represented 77 per cent of GDP. Therefore, there was a need for concerted action to address the development challenges facing the continent. One of the main priority sectors was the development of infrastructure. Poor roads, electricity and water supply had been estimated to add 20 to 30 per cent to transaction costs, and this rendered African products uncompetitive. Consequently, it was difficult for African countries to attain the 7 per cent annual GDP growth required in order to halve poverty by 2015. In this connection, it was imperative that the international community honour its commitments to double aid to Africa in order to support the continent's development. This aid would have to be more efficient and better coordinated to achieve maximum impact.

7. The representative of **Brazil** said that Africa was one of the main priorities of Brazilian foreign policy and that the continent had benefited from increased aid and technical assistance from Brazil. The secretariat's presentation on the impact of aid on African development brought to mind a discussion last August when Stephen Brown launched his book entitled *Aid and Influence*, which set out some of the characteristics of aid as outlined in the UNCTAD report, including the prevalence of geopolitical considerations in aid allocation. It was important for the countries of the South to have a forum where they could exchange views and discuss the best ways to enable them to derive maximum benefit from the aid programmes for their development. This was similar to UNCTAD's proposed creation of a Commission for Aid and Development. Instead of an increase in the share of multilateral aid, a market-based approach was proposed whereby donors could choose the countries to which to give aid; this might enhance the outcome of the aid programmes. Recipients would then be active consumers, and not passive receivers. UNCTAD should disaggregate aid data in order to better monitor the efficiency of different aid components.

8. The representative of **Senegal** congratulated the UNCTAD secretariat on the quality of its report. The recommendation that aid be multilateralized would facilitate and enhance the transparency of the current chaotic system. It was important to have the reaction of bilateral partners to UNCTAD's recommendations. A Development Fund for Africa, under the auspices of the United Nations, whose creation had been suggested by the report, could contribute significantly to increasing coherence in the delivery of aid to the African continent. Such a fund would also permit closer monitoring of the regional dimension of, for example, NEPAD.

9. The representative of **Japan** recognized the importance of aid to Africa, given that the continent had the largest number of least developed countries. To help Africa's development efforts, Japan had committed itself to doubling its ODA to Africa by 2008 and had pledged to engage in a constructive dialogue with the recipients in order to identify and address their needs rather than imposing Japan's views on how this aid should be used. Japan believed that PRSPs could be the basis for evaluating recipients' needs. While recognizing that African countries should be given policy space, Japan noted the need to strengthen the system of governance in order to ensure that the aid was well managed. The speaker was of the opinion that budget support and project support should be complementary and that there were instances where project support was more appropriate than budget support. In conclusion, he called for an appropriate appraisal of the effect of debt relief on the development of African countries.

10. The representative of **Finland**, speaking on the behalf of the **European Union (EU) and the acceding countries of Bulgaria and Romania**, underscored the fact that Africa

remained the continent where globalization had not yielded sufficient benefits. The UNCTAD report was an important contribution because it shed light on the quality of aid and how the latter was distributed. The EU had developed an integral approach through the EU Strategy for Africa, which was coherent, long-term-focused and based on principles of partnership, ownership and dialogue, as well as on other important factors without which sustained development would not be possible: peace, security and good governance. The priorities of EU aid for Africa were economic growth, trade and infrastructure. The EU promoted and supported investment in directly related areas such as health, education and employment. Africa and the EU were bound by substantial aid flows. In 2005, 60 per cent of EU ODA had gone to Africa, and the European Council had pledged to increase ODA to 0.56 per cent of GNI by 2010 and to 0.7 per cent by 2015. The decision to allocate half of additional resources to Africa could net an additional 23 billion euros a year for Africa by 2015. EU aid to that continent was expected to increase by two thirds by 2010. The speaker reiterated the importance of political dialogue between African countries and urged that the African Summit in Lisbon take place as soon as possible. The EU fully supported the views expressed by the representative of Afghanistan, namely that the African countries were principally responsible for their development and that the national development strategies had a pivotal role in making international aid coherent and effective. UNCTAD, together with WTO, OECD and the Bretton Woods institutions, had an important role to play by helping African countries integrate trade policies into their national development strategies. The EU hoped that UNCTAD XII in Ghana would provide concrete inputs on these important issues.

11. The representative of **Rwanda** said that Africa needed large amounts of aid to help boost the growth of its economies and reduce the continent's high levels of poverty and marginalization in the world economy. In this regard, he commended the donors' commitment to double aid to Africa by 2010. However, to be more effective, aid should be delivered through a better mechanism, and the speaker concurred with the report's proposal that a new and improved architecture for aid delivery be put in place. The shortcomings of the current aid system discussed in the report were the same as those noted by Africans involved with the debt issue on the ground. The Paris Declaration on Aid Harmonization had recognized the limits of the current aid system, and Rwanda had adopted a national aid policy on the basis of the Paris Declaration. The key principles of the policy evolved around the issues of ownership, comprehensive domestic dialogue, alignment with national development objectives, mutual accountability between a country and its donors, and preference for budget support whenever possible. The policy attempted to avoid vertical funds, which were funds parallel to government funding, because they undermined ownership. The report's suggestion that there be a single funding mechanism, given the latter's advantages as described in the report, deserved serious consideration.

12. The representative of **Cuba** praised the quality of UNCTAD's report in terms of its analysis and recommendations. The international community should meet its commitment to double aid to Africa in order to enable countries in the region to eradicate poverty. Current aid flows to Africa were insufficient, and unfortunately influenced by political considerations. It was therefore necessary to have an aid system that was coherent and transparent. Aid could have positive effects if it was allocated in an organized and equitable way.

13. The representative of the **Russian Federation** emphasized the importance of UNCTAD's assistance to Africa's development. He reaffirmed his country's commitment to helping African countries on the basis of the principles of cooperation and good partnership.

The Russian Federation called for an integrated assistance programme for the continent, including within the framework of the G-8 countries. This assistance was multifaceted. His country supported the IMF and World Bank programmes to provide debt relief and write off the debts of the poorest countries, and participated actively in bilateral debt relief activities. More concretely, the Russian Federation's budget included the possibility of cancellation of debts owed by the poorest countries. This debt totalled \$688 million, and 16 of the countries concerned were African. Also, it was important to provide resources for strengthening African countries' trade structure and improving the investment climate. These were essential factors for Africa's sustainable development. One of UNCTAD's tasks in this regard should be to find an effective mechanism to help Africa achieve those objectives.

14. The representative of **South Africa** acknowledged the importance of the commitment by donor countries to double ODA flows to Africa by 2010, and called on them to translate it into action. These aid flows should respond directly to the need for increased productive capacity in Africa, which required significant long-term sustainable and predictable capital investment. The speaker agreed with the report that key factors required due attention in order to maximize the effect of a doubling of aid to the continent. Those factors included the need to align ODA with the continent's development objectives as enshrined in the New Partnership for Africa's Development. This implied that the quality of aid mattered as much as its quantity. Aid must be growth-enhancing, and its effectiveness required greater coherence among donors, who must have a long-term vision of Africa's development. Aid must be part of a broader strategic development framework with the ultimate objective of reducing aid dependency, which was in the interest of both donors and recipients. Cognizant of these facts, the South African Government had adopted a national shared-growth initiative to enhance economic growth. The focus of the initiative was on investment in infrastructure and in education and skills development. The speaker concluded by inviting donors and recipients to give due consideration to the proposals contained in the report, as they provided a basis for a true global partnership.

15. The representative of **Norway** emphasized the analysis and recommendations in the report, which all deserved serious consideration. African countries needed more aid, and Norway had given them priority in its aid allocations. However, it had so far been unable to decide on how to improve its aid allocation system.

16. The representative of **Zimbabwe** concurred with the statement by the representative of Angola on the behalf of the African Group. The UNCTAD report rightly identified some key elements of the recent discourse on Africa's development, including the pledge by the international community to double development aid to Africa by 2010, the recent improvement in Africa's economic growth, resulting mainly from the increasing demand for commodities by emerging economies, and the chaos in the aid system due to wasteful competition, which had not allowed African countries to fully benefit from aid. A new consensus on ODA was required. Both donors and recipients had made mistakes. The report's proposal that there be a new aid regime, based on the current international one, which called for a new international partnership for development that would eliminate the main problems, such as lack of coherence, transparency and accountability and the politicization of aid, was an interesting one. Aid should be channelled through the national budget and be used in financing infrastructure projects, particularly those concerning transport and the rail network, which would help facilitate trade.

17. The representative of **China** said that since it was the continent with the highest number of LDCs and the lowest growth rates, Africa should have the highest level of aid. In this connection, the speaker expressed appreciation for UNCTAD's work on aid and noted with satisfaction the recent pledges to increase the quantity of aid to the continent. He underscored the need for good-quality aid and invited donors and recipients to design aid programmes that took into account the effectiveness of aid for development. As part of its aid programme for Africa, China had provided assistance to all 53 African countries. It had cancelled debts owed by 31 countries and had trained more than 10,000 African professionals. In addition, China accorded duty-free access to a number of products from 28 African countries.

18. The representative of **Djibouti** noted the historical analysis of aid to Africa in the report, and particularly the negative outcomes. There was therefore the need for a multilateral system to channel aid to that continent. The EU should be a key player in such a system because of its historical links with Africa.

19. The representative of **India** noted with satisfaction the report's finding that there were some real signs of an improving economic performance in Africa after two decades of economic downturn. The ability of the aid promised to Africa to sustain that performance and reduce poverty would hinge on a number of factors, including effective mobilization of investment and domestic resources, designing development strategies tailored to local conditions, strengthening recipient countries' institutional capacity, improving the quality of aid supplied and improving policy coherence. The speaker encouraged UNCTAD to continue its independent analytical work on Africa. He referred to the increasing trade linkages between Asia and Africa to highlight the fact that India and Africa were building a relationship based on mutual benefit, and not a donor-recipient relationship. In this context, India was sharing training facilities and project expertise with Africa. This included the establishment of a Pan-African E-Network for tele-education and tele-medicine, covering all African 53 countries. Also, India had opened low-interest lines of credit for a number of African countries and NEPAD, which had totalled \$1.5 billion in the previous two years alone. These funds had been invested in infrastructure projects, including railways and electrification, and in strengthening productive sectors such as food processing and cotton spinning.

20. The representative of **Egypt** expressed support for the analysis and recommendations contained in the report. He wished to know how the UNCTAD secretariat evaluated aid in comparison with organizations such as the OECD, and supported the idea of putting in place a specific framework for aid to countries in the South.

21. The representative of **Chad** noted the relevance of the theme of this year's report on Africa's development, which tied in very well with the previous year's theme of foreign direct investment in Africa. He expressed appreciation for the promise to double aid to Africa, and called on donors and recipients to ensure that such aid was oriented towards development objectives. Attention should be given to identifying the best ways of doing that. He called on the donor community to increase its extrabudgetary resources for UNCTAD to allow it to continue carrying out its independent research on Africa's development and increase its resources for technical assistance. His country had greatly benefited from this aid as an LDC, and it should be increased to allow more countries to benefit from it.

22. The representative of **OCAPROCE** expressed appreciation to the UNCTAD secretariat for the quality of the report. OCAPROCE supported African producers and

exporters, and would like UNCTAD to assist with training and provision of information for its members, particularly since international trade was now highly competitive. UNCTAD should also help NGOs to access financial assistance.

23. In his response to the issues raised during the debate, the **Special Coordinator for Africa** emphasized that the recommendation that the share of aid disbursed through the budget be increased did not imply the rejection of project aid. In some circumstances project aid might indeed be the preferred mode of delivery, particularly if requested by recipient Governments. This might also apply to post-conflict countries, where this form of support might be better suited to addressing weak State institutions and rebuilding civil society. With regard to the idea of using a market-based mechanism to allocate aid, it should be noted that one of the *raison d'être* of aid was market failure, and so it was difficult to envisage how a market system could be an appropriate response to the problems currently surrounding the aid issue.

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