



United Nations Conference on Trade and Development

Distr.: Limited
10 October 2007

Original: English

Trade and Development Board

Fifty-fourth session

Geneva, 1–11 October 2007

Draft report of the Trade and Development Board on its fifty-fourth session

Held at the Palais des Nations, Geneva, from 1 to 11 October 2007

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Sessional Committee II¹

Economic Development in Africa: Reclaiming Policy Space – Domestic Resource Mobilization and Developmental States

(Agenda item 5)

Chair's summary

1. Delegations praised the high quality and analytical approach of the publication *Economic Development in Africa: Reclaiming Policy Space – Domestic Resource Mobilization and Developmental States*, though some reservations were expressed about the late delivery.

2. Many delegations noted the continuing importance to the African continent of official development assistance and aid for trade. They called on developed countries to fulfil their commitments in terms of doubling aid to the continent in order to achieve the Millennium Development Goals. While a few delegates said that the continent had little to show for its aid in terms of development, others pointed out that aid commitments were not currently being fulfilled, and official figures were skewed by the inclusion of debt relief. Official development assistance also had many limitations, including conditionalities that limited policy space for recipients; in recent years, much of it had been allocated to social sectors, to the detriment of improving infrastructure and productive capacity. There was therefore a need to mobilize domestic resources not only as a complement to aid, but also as a means of gaining flexibility and policy space to address the genuine needs of Africa. Most delegates concurred that domestic resources could be mobilized by (a) tapping the potential in the informal sector; (b) developing better taxation policies; (c) making use of remittances; and (d) reversing capital flight. A few expressed concerns that such recommendations could lead to damaging overregulation. The Monterrey and São Paulo consensuses recognized the importance of domestic resource mobilization, but a supportive international environment was necessary, especially in terms of market access for African exports, as was investment in productive capacities and human resources. Foreign direct investment shrank in the face of tough conditions, but it should be seen – like remittances and microfinance – as a complement to, not a replacement for, official development assistance and debt relief.

3. Delegates agreed that Africa's strong economic performance in recent years was partly due to the high demand for primary exports and stronger economic ties with other developing countries, particularly in Asia. They therefore called for closer South-South cooperation (through the Global System of Trade Preferences among Developing Countries and the new joint Asian-African strategies) as well as the "triangular cooperation" highlighted by the Bandung Agreement of 2005.

4. It was generally agreed that the rollback of the role of the State in Africa since the 1980s was at least partly responsible for the continent's current economic crisis. Sustainable development required a more active State role. The "developmental State" could deliver development in the African context, as it had done in Asia, through enhanced mobilization and use of savings.

¹ Electronic versions of statements by delegates are posted on the UNCTAD website in the form and language in which they are received. To find the speeches, go to www.unctad.org/meetings, select the intergovernmental body and session, and click on Programme.

5. Many speakers emphasized the right of countries to choose their own development strategies and to have the necessary flexibility to implement them. In that regard, the 2007 report on *Economic Development in Africa* presented a practical (and less dogmatic) approach to development in Africa, by advocating a diversity of policies appropriate to individual countries. The concept of the developmental State, together with the better use of available resources, would lead to a virtuous circle of accumulation, investment, growth and poverty alleviation. A few delegates drew attention to the many market failures caused by excessive state intervention in the economy, and concluded that though there was no one-size-fits-all policy for development, there certainly were best practices, which showed the importance of the private sector in development. There was some agreement that certain commitments entered into at the international level restricted the policy space in which developing countries could pursue policies that responded to their developmental needs. However, a few delegates objected to the portrayal of African countries' membership at the World Trade Organization as limiting their policy space, as such membership provided a predictable trading environment and opportunities that should increase, not decrease, that policy space. Furthermore, African countries, especially the least developed countries among them, were offered considerable flexibility in the implementation of the World Trade Organization agreements.

6. Several delegations emphasized the important role of the private sector in the development process and, in the case of Africa, the role of small and medium-sized enterprises and microfinance institutions. It was important to create and maintain an appropriate domestic environment through good governance and the development of internally integrated economies, so as to increase the savings and investment that fuelled high growth. Private sector development would also benefit from building knowledge-based economies and the integration of Africa into the international knowledge society, as would the development of human resources capable of designing and implementing a development strategy reflecting African realities. A few delegates noted that much of the failure of African countries to develop more quickly had been caused by undue interference in private sector activities, excessive bureaucracy and bad policies.

7. Many delegates commended UNCTAD on its independent and thought-provoking research. Some urged UNCTAD to work more to develop synergies with other organizations within the United Nations, especially the United Nations Development Programme, in order to increase the dissemination of UNCTAD's work in the field. More specifically, UNCTAD was asked to explore ways to (a) enhance the private sector; (b) convert informal activities into formal economic activities; (c) further develop ideas on financial charters; and (d) enhance European Union relations with Africa through a new joint European Union-Africa strategy or partnership.