

Trade and Development Board, fifty-ninth session
Geneva, 17–28 September 2012

**Item 6: Economic development in Africa: Structural
Transformation and Sustainable Development in Africa**

Statement by Mr. Charles Gore

**Former Head of the Research and Policy Analysis Branch of the Division for
Africa, Least Developed Countries and Special Programmes of UNCTAD
Honorary Professor of Economics, University of Glasgow**

Thursday, 20 September 2012

*Not checked against delivery **

* This statement is made available in the language and form in which it was received. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

Statement to the 59th Session of Trade and Development Board, 20th September 2012: Panel Session on Structural Transformation and Sustainable Development in Africa.

Charles Gore
Honorary Professor of Economics, University of Glasgow

At this moment, it is important that we focus on the short-term problem of economic recovery, but at the same time this should not crowd out careful consideration of long-term development issues.

In this regard, it has become a truism to say that the economic crisis marks the end of an era and that business as usual is no longer possible. But what can be the organizing principles and grounds for seeking a new international policy consensus on development?

In thinking about this issue, it is useful to remember that there have been two distinct periods of development thinking. From the early 1950s to the end of the 1970s, the focus was national developmentalism, geared towards promoting the liberation of peoples. From the early 1980s to the present, the focus was globalization, geared towards promoting the liberalization of markets.

Within each of these periods, there was a first phase when economic concerns were paramount and a second phase when social concerns gained ground. Thus the push for economic growth which was at the heart of the development policies of the 1950s and 1960s was tempered in the 1970s, when the economy slowed down, by attempts to promote redistribution with growth and to meet basic needs. Whilst the push for globalization and liberalization of the 1980s and 1990s was tempered in the 2000s with a concern for poverty reduction and meeting the basic human development standards embodied in the MDGs.

The onset of the financial crisis in 2007 marked the 25th anniversary of the introduction of structural adjustment programmes, and the beginning of the end of the globalization period of development thinking. But what is coming next? What should come next to enable another period of rising prosperity for all? What should be the focus of a post-2015 development agenda, an agenda which like the other periods of development thinking will last for 25 to 30 years, taking us not simply out of the economic crisis but into the 2030s.

Various answers can be given but I would suggest that there are three key dimensions which must be addressed.

The first dimension is global inequality. We live in a world where the poorest 40 per cent of the world population get less than 5 per cent of the world income and where the 50 million richest people receive as much as the 2.7 billion poorest. Moreover, about three-quarters of total global inequality is due to inter-country inequality rather than intra-country inequality.

The second dimension is environmental sustainability. Today it is estimated that the scale of global production and consumption is unsustainable in the sense that it exceeds the Earth system's capacity to provide resources and absorb waste by 50 per cent. Moreover, if by 2050 a process of catching-up were to occur in which developed countries made no effort to reduce their resource use and at the same time there would be a globalization of developed countries' level of resource use to the rest of the world, there would be a doubling of biomass use, a quadrupling of fossil use and a tripling of annual use of construction materials and metals. Even disregarding dangerous climate change, this is an unsustainable collective future.

The third dimension is multi-level governance, which is concerned with how to cooperate internationally to address global problems and to articulate efforts to achieve global goals with efforts to achieve national goals.

It is against this background that the present Report is important. Its basic message is that African countries should, as they are doing, promote structural transformation as this is necessary for economic catch-up, employment creation and poverty reduction. But at the same time, they should promote the relative decoupling of natural resource use and environmental impacts from the growth process.

This is not a call for an absolute reduction of natural resource use (absolute decoupling). This would be absurd on a continent where, as the Report shows, levels of material consumption per capita are so much lower than the rest of the world and where almost 600 million people do not have access to electricity. Rather it is a call for greater attention to resource productivity in particular (i.e. getting more GDP growth per unit of resource use) and also for mitigating the environmental impacts of resource use.

In policy terms, the idea of promoting sustainable structural transformation has important implications for African countries, for their development partners and also for the international community in general.

For African countries, the approach of the Report suggests that environmental issues should be treated as a development problem, and it also shows how to do it. This certainly requires that policy makers come out of their comfort zone as the economy needs to be thought of as a sub-system of the Earth system. There are new concepts such as material flow analysis which must be grasped and much more attention needs to be given to land use. But in general terms what is necessary for the promotion of sustainable structural transformation is what is necessary for promoting structural transformation – that is to say, a pragmatic developmental state. Addressing the governance challenges involved in building and maintaining developmental state capacities are critical for success in managing the two key drivers of sustainable structural transformation – investment and technological change.

With regard to Africa's development partners, the starkest statistic in the Report concerns ODA to energy. OECD statistics indicate that only about 2 per cent of the ODA from DAC donors went to the energy sector between 2005 and 2010. This is simply staggering

given the levels of energy poverty which exist in Africa and also the estimates of investment needs. OECD DAC donors' ODA disbursements to Africa in 2010 were only \$810million, whereas the World Bank estimates annual infrastructure investment needs as being as high as \$41 billion per year. Bridging the electricity divide between Africa and the rest of the world is at the heart of the challenge of developing productive capacities and creating employment on the continent and it must become a donor priority within a push for sustainable structural transformation.

Finally, for the international community, the policy recommendations of the Report implicitly offer a template for thinking about future sustainable development goals at a global level. In essence, this involves three elements. Firstly, developing countries should not be constrained in pursuing accelerated economic growth and structural transformation but should pursue the goal of environmental sustainability through *relative* decoupling. Secondly, developed countries which have already achieved high standards of living should aim for rising prosperity with *absolute* decoupling. Absolute decoupling requires a decrease in the absolute quantity of resources used and their environmental impacts. Moreover, this must be done in real terms rather than hidden through international trade flows which externalize the environmental damage of national consumption. Thirdly, developed countries should provide financial support, facilitate technology transfer, and support the design of a international trade regime and a intellectual property rights regime in a way which facilitates the global sustainable development process.

This will not be simple. But it is necessary.

Thank you for your attention.