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President's summary

Sessional Committee II

Economic development in Africa: Fostering industrial development in Africa in the new global environment

(Agenda item 6)

1. The deliberations of the Trade and Development Board under this agenda item centred on the *Economic Development in Africa Report 2011*, subtitled *Fostering Industrial Development in Africa in the New Global Environment*. It was pointed out that this year's *Report* had special significance for two reasons: First, it was published jointly by the UNCTAD secretariat and the United Nations Industrial Organization (UNIDO). Second, it dealt with industrialization, which was critical to addressing increasing unemployment in Africa. The main message of the *Report* was that Africa needed a new industrial policy to induce structural transformation, create employment and reduce poverty in the region. It built on the 2009 and 2010 *Reports* and provided continuity to UNCTAD's work on building productive capacities in Africa.
2. The new proposed industrial policy required the State to provide support to entrepreneurs, but also held them accountable for non-performance. It also called for credible mechanisms for monitoring and evaluation, and for dialogue with the private sector. Other important policy recommendations of the *Report* included the promotion of scientific and technological innovation, the creation of inter-sectoral linkages in the domestic economy, the development of government capabilities, the promotion of entrepreneurship, the strengthening of regional integration, and the maintenance of political stability in the region.
3. Many participants welcomed the recommendations made in the *Report* and also expressed appreciation to UNCTAD and UNIDO for the thorough and excellent analytical work contained in it. Several delegates requested UNCTAD to translate the *Report* into Spanish for easy dissemination in countries in Latin American.
4. Several participants stressed the importance of integrating agricultural development into industrial strategies to ensure inclusive growth. The interdependence between agriculture and industry was deemed to be critical, especially in sub-Saharan Africa, where a large part of the workforce was engaged in agriculture. Against this backdrop, participants stressed the need for pro-labour industrial policies in Africa.
5. Some participants pointed out that Africa needed stable and predictable sources of finance for industrialization and long-term development. Africa was highly dependent on external sources of finance that were highly volatile. Dependence on external sources of finance increased macroeconomic volatility and also rendered African countries vulnerable to external shocks. It was pointed out that one way for African countries to reduce their dependence on external sources of finance was to strengthen domestic resource mobilization, which in turn necessitated the building of productive capacities, including industrial capacities. In that context, participants urged UNCTAD to continue its research on African development, paying particular attention to issues linked to structural transformation, economic diversification, industrial and trade policies in a changing global environment, regional integration and domestic resource mobilization.

6. Participants encouraged African countries to draw from the experiences and lessons learned from other regions, such as Asia and Latin America. South–South cooperation and triangular cooperation, in addition to regional integration, were considered important vehicles for advancing industrial development in Africa, and it was felt that they should be viewed as complementary to North–South partnerships.

7. Several participants recognized the importance and the necessity of strengthening the initiatives undertaken by regional organizations in Africa, in particular the New Partnership for Africa’s Development (NEPAD) and Accelerated Industrial Development of Africa (AIDA), to drive their industrial development.

8. Coherence between trade policies and industrial policies was recognized as critical. The narrowing of policy space due to emerging international trade rules was cited as a concern, and several participants wondered whether Africa could have viable industrial strategies, given current international trade rules. In that regard, some participants stated that industrial policies should take into account the realities posed by globalization, but that globalization should also be seen as providing opportunities – and not just challenges – for Africa.

9. There was also the view that industrialization was not determined by domestic endowments alone. Government policies were also important in determining which industrial paths and strategies were feasible. In that regard, it was pointed out as an example that the Kingdom of Lesotho had a strong textile sector, even though it did not grow cotton, while Switzerland had a very competitive chocolate industry, though it did not grow cocoa.

10. Several delegates argued that the facilitation of intra-African trade should be encouraged in order to create markets for African industrial products. Domestic, regional and international markets should also be explored in trade promotion and trade expansion measures as part of industrial policies. Participants acknowledged the role of modern services in the development process. The importance of timing or sequencing of industrial policies and strategies was also highlighted by several participants.

11. Participants also highlighted “brain-drain” and excessive capital flight as factors inhibiting industrial development.

12. Suggestions were made for UNCTAD and UNIDO to elaborate capacity-building programmes, in collaboration with regional institutions such as the United Nations Economic Commission for Africa and the African Union Commission, to assist African countries in designing and implementing industrial policies.