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**Item 4: Interdependence: Trade and development
policy challenges for a sustained recovery of the global economy**

**Item 8: Development strategies in a globalized world:
Policymaking in an evolving framework of global governance**

Speaker: Tanzania on behalf of the African Group

Tuesday, 16 September 2014

*Not checked against delivery **

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**STATEMENT MADE BY MODEST JONATHAN MERO AMBASSADOR AND
PERMANENT REPRESENTATIVE OF THE UNITED REPUBLIC OF TANZANIA
ON BEHALF OF THE AFRICAN GROUP ON:**

TDB 2014 agenda items 4 “Trade and development policy challenges for a sustained recovery of the global economy” and 8 “Development strategies in a globalized world: Policymaking in an evolving framework of global governance”

16 September 2014, Geneva

**Madam President,
Dr. Mukhisa Kituyi, Secretary General UNCTAD
Ambassadors and Permanent Representatives,
Distinguished Delegates,
Ladies and Gentlemen.**

1. At the outset let me congratulate the President of the Board for her able leadership in steering this meeting. I wish to draw your attention that the economic growth in Africa as stated in the report has accelerated in the last decade, with an annual average rate of 4.7 per cent between 2002 and the forecasted values for 2014. It remained remarkably high despite the global financial crisis, particularly in most Sub-Saharan countries. In 2014, among the 20 fastest growing economies in the world, 11 are expected to be from this sub-region. This performance of the African economy contrasts with that of two long decades of quasi stagnation, during the 1980s and the 1990s.
2. These results are aggregated and of course, at a closer examination there are disparities across the region that would paint a real situation. There are contrasts which are wide, for instance, the growth remains weak in North Africa and the Republic of South Africa with economies closely integrated to the developed world and the financial markets during the period under review. Secondly, the continent's economy remains vulnerable to negative shocks and financial risks, as recently shown by recent financial stress causing the return of both Ghana and Zambia to the IMF to address their financial distress in the face of sharp declines in their currency.
3. These can partly be explained by the fact that high commodity prices that have been supporting high growth rates are facing confluence of challenges including volatility of financial and commodity markets. The volatility factors have not only affected raw materials commodities but also food has now entered the category because of speculations in futures of the commodities including food in the financial markets. These factors among others affect the economies of vulnerable commodity dependent countries and expose their economies to external risks. Honestly, these are important issues we need to consider in this Board and probably to ask ourselves serious questions like “how can we govern the international financial system in the 21st century in order to manage the activities of financial markets?”



Madam President,

4. It is our considered view that in the debates on Item 4 on Interdependence, we need to examine the likely evolution of the global economy, the policies that can better support a general growth recovery and the impact those policies and outcomes will have on African economies. Not less important from the African point of view is the discussion on how the African countries like many other developing economies can face present challenges with a long-term view and can take profit of some of the favourable conditions that may be only temporary in order to implement their development strategies. The last view is more connected to agenda Item 8.

Madam President,

5. It will not be fair if I do not commend UNCTAD for the Trade and Development Report of 2014. We have found that the analysis containing in the report particularly highlights of a key concept of industrial policy among others which undoubtedly is a major driver of development to be highly useful. Interestingly, we have learned that poor policy mix in sectoral development has caused poor coherence in national vision thereby leading to poor outcomes in the performance of the overall African economies in a long term.
6. This understanding may help to explain poor performance of African countries' economies despite their efforts. With respect to debt issues, indeed, every country is facing debt obligation of varying magnitude and stress. However, debt management strategies have been effective in ensuring that national debts are not out of control. In several African economies, the debt crisis partly caused by external sector has eroded the ability of States to pursue proactive policies. Thus, many African countries reduced or abandoned proactive trade and industrial policies that can address external sector deficits. With respect to debt dialogue, more informed and effective consultations are needed in order to protect the vulnerable developing countries in particular Africa.

Madam President,

7. African Group agree to the proposition of the report that maximizing the public revenues is essential for financing economic and social development contrary to the widespread idea that supplementary resources can only come from outside. This view is practical provided that there are strong domestic policies, financial infrastructure and vibrant business sector that can guarantee increased revenue. It is also true that revenue from natural resource can be targeted to address economic infrastructure that support the development of modern business environment in the continent. It is therefore important to agree that public revenues from domestic sources are essential in addressing development deficit in Africa.



8. In terms of the issue of capital flight, it is shocking to learn that in Africa, conservatively estimated cumulative illicit financial outflows totalled \$437 billion over the period 2000–2008. Another study has estimated that illicit financial outflows from a group of 33 sub-Saharan African countries amounted to \$814 billion (in constant 2010 dollars) from 1970 to 2010. Much as this is very sensitive subject, it can be seen from a point of view of poor international financial architecture, bad business practices, lack of effective financial services in a number of African countries, inadequate regulatory policies and oversight skills in the financial sector. This area could be interesting for UNCTAD research and future work.

Madam President,

9. One potential source of public revenues that is particularly important in Africa is that of the extractive industries. The World Bank itself has recently acknowledged that “Mining fiscal regimes developed in the past (often under Bank guidance) were not adequate to capture much of the large increase in rents generated by these price increases”. The report presents the experience of several countries -- developing and developed -- showing how the share of producing countries in the distribution of natural resources rents can be significantly improved.
10. However, the issue of resources and mining in Africa on how to get the best of it for supporting the domestic economy is always contentious, lopsided and unbalanced usually blaming the victim and painting a hopeless picture. Probably time has come to give a balanced treatment of the subject instead of blaming the victim.
11. It is in this context that, transparency initiatives should be made mandatory and extended to all the actors involved in the activity (Governments, firms and commodity trading companies). International cooperation is also needed for institutional development and capacity-building in better monitoring production costs, import and export prices, volumes and qualities. International support and regional cooperation would also facilitate the renegotiation of contracts when the taxation conditions are not consistent with a fair distribution of natural resources rents. Given its expertise in the area of commodities, transport, customs and trade, UNCTAD is requested to provide support in this domain.
12. Finally, much can be done also at the regional level on tax regime. In Africa, regional cooperation between tax authorities via the African Tax Administration Forum (ATAF), has helped strengthen mutual assistance and capacity-building. In particular, the recently created ATAF has worked towards increasing the level of voluntary tax compliance whilst combating tax evasion and avoidance. More initiatives in this respect are needed in order to strengthen tax regime and ensure compliance to tax obligations at national, regional and international level.

I thank you Madam President.