United Nations

TD/B/59/L.1/Add.2

United Nations Conference on Trade and Development

Distr.: Limited
26 September 2012

Original: English

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

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

Held at the Palais des Nations, Geneva, from 17 to 28 September 2011

Contents

President's summary

High-level segment: Growth with jobs for poverty reduction: What can Africa learn from other regions?

(Agenda item 3)

1. The high-level segment focused on how developing countries could achieve economic growth while creating jobs and pursuing poverty reduction. Panellists examined the lessons that African could learn from the experiences of other developing countries and regions regarding the optimal order of trade, finance, investment and macroeconomic policies to ensure sustainable growth and development.

2. Discussions highlighted the puzzles of Africa's growth and economic performance. It was acknowledged that the theme of the session was not only timely but also an urgent challenge for the continent. Africa had potential to become a growth pole in the future, despite the complex issues and challenges it faced. African countries had undertaken significant macroeconomic reforms. Africa's policy reforms had become more open, although not as much as other developing regions. However, Africa's impressive growth performance had not resulted in the expected job creation and significant reduction in poverty or improvements in the standards of living. Panellist explored various challenges concerning Africa's growth, inter alia, the high rates of population growth that had outpaced economic growth and job creation, investment flows in sectors that were not accessible to the poor, limited technological advancements and inadequate pro-poor financial sector policies.

3. The discussion acknowledged the key macroeconomic bottlenecks affecting Africa's growth and development. The UNCTAD secretariat had repeatedly called attention to the high cost of finance, particularly the high levels of interest rates, for productive investment that would sustain the growth process in most African countries. The spread between inflation and interest rates remained broad, keeping real interest rates too high for investors to make meaningful profits from investments in an otherwise hostile environment. The issue had been overlooked in structural adjustment programmes and other reform packages. For growth to be inclusive and sustainable, people needed to be able to participate in the proceeds of growth through an increase in real wages in line with productivity increases leading to rising household incomes.

4. Panellists and discussants identified other structural deficiencies that had held back employment-generating growth, such as:

(a) Lack of structural transformation and of higher productivity activities, with increased dependence on commodities trade;

(b) Food production and food security concerns, aggravated by a hasty shift to market-based systems with limited involvement of the State;

(c) Low levels of intra-Africa trade, despite multiple efforts to integrate countries at the subregional level;

(d) The multiple global crises which had led to a contraction of trade, remittances, official and development assistance and aggravated commodity price volatility.

5. Panellists concurred that Africa could certainly learn from other regions, but also that one size did not fit all. Although policies and challenges were heterogeneous, African development stood to gain from the experiences of others, such as their sectoral policies for industrialization, agricultural development and services; improved State support to sectoral development; and the role of extractive industries in light of the dependency on natural

resources and resource-based manufactures. Models for sound policy management on commodities were also needed for employment creation and poverty reduction. There were several ways to improve the use of rents, including profit sharing, and to capture rental gains for investment in social infrastructure.

6. UNCTAD had tried to promote more investment in the development of productive capacity. Panellists called for policies to attract more and better flows of foreign direct investment (FDI), including necessary institutional changes to ensure a more attractive fiscal regime for foreign investors. Several speakers highlighted the need to channel more investment into agriculture, since FDI flows were supposed to fill the financing void but they rarely sufficed to make a least developed economy grow sustainably. Therefore, FDI was no substitute for local investment, which required a conducive environment. Official development assistance would continue to be needed, alongside innovative sources of development finance.

7. Africa had been engaged in more South-South cooperation in the areas of trade and investment, allowing investment beyond extractive industries. The African Union had agreed upon a programme to foster intraregional trade and increase investment attractiveness in the region. However, the action plan focused on the traditional trade policy and market access concerns, without the much needed focus on the types of products that need to be produced and exported.

8. UNCTAD had been preaching growth as remedy for persistent poverty. Although there was some recent growth, not much poverty reduction had been achieved because growth had occurred in sectors where most of the poor did not work, such as mining. The solution was to improve productivity in agriculture, allowing Africa to overcome its dependency on food imports and to no longer be a net food importer, to enjoy food security and to be able to expend precious foreign exchange on investment goods rather than on food.

9. Numerous other policy responses included investing more to address low agricultural productivity, further investing in infrastructure, developing regional trade clusters and increasing pan-Africa trade. Linking the profile of growth to poverty reduction was fundamental. Moreover, participants stressed the importance of the growth process, as compared with the growth rate itself.

10. Speakers suggested that more diversification in the commodities sector should lead to production of more and varied finished goods. This would also allow more trade in regional markets, which was hampered by the lack of specialization and the production of similar raw commodities. Infrastructure investment and development were necessary but not sufficient to foster pan-African trade and further value addition and trade diversification. South–South cooperation and regional trade should be part of the solution. In other continents, intraregional trade was vibrant enough not only to facilitate growth and poverty reduction but also to assist them in facing the ongoing crisis.

11. The role of the developmental State in shepherding the growth process was critical in the formulation of policy guidance for Africa. Governments needed to intervene to reduce market failures in the banking sector and to undertake massive investments in agriculture and industry in order to create productive capacities and decent jobs. In addition, governments should mobilize local sources of fiscal revenue in order to decrease overdependence on uncertain official development assistance. There was also a need to reorient infrastructure and other institutions away from past colonial goals towards new regional perspectives.