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Sessional Committee II

UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS
NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990S:
PERFORMANCE, PROSPECTS AND POLICY ISSUES

Draft agreed conclusions

1. The Committee noted that after over a decade of economic stagnation and regression, the recent performance in African economies gives rise to optimism. For the first time since the beginning of the 1980s, GDP growth rates have exceeded population growth, albeit by a small margin. This was due, *inter alia*, to higher commodity prices and better weather conditions. The recent upturn in some African countries is underpinned by the continued and deepened implementation of economic reform programmes, as well as by reductions in political instability and civil unrest. However, most African countries remain fragile and subject to exogenous forces, including the fluctuations of prices for export commodities and weather conditions.

2. The specificity of African economies is that the Continent suffers from acute problems related to infrastructure and has supply side constraints which inhibit the capacity for growth and exports. This is true of the mainland as well as of island economies, especially the small and remote ones. African economies

rely heavily on the export of commodities for their development and vertical and horizontal diversification into non-traditional export sectors remain a major challenge. Factors impeding the expansion of trade for most African countries are, among others, small markets, high costs of transactions and of transportation and lack of sufficient communication links.

3. The integration of African economies in the world economy depends *inter alia* on how successfully gains from increased export revenues are utilized to strengthen potential growth. The Committee emphasized the need for major investment in human and physical infrastructure and for African countries to mobilize sufficient savings and funding in order to invest. The resource requirements of Africa, including debt relief, ODA, investment and trade flows should also be addressed.

4. A speedy and substantial reduction of the debt overhang problem is critical if the present upturn is to be followed by sustained economic growth and if Africa is to be successfully integrated into the world economy. Africa has the highest debt to exports ratio of any continent. This debt burden is unsustainable for most of the African countries concerned. In this regard, the Committee welcomed the various debt relief initiatives, in particular the recent HIPC initiative, and expressed the wish that agreement be reached to allow the greatest number of African countries to benefit from the HIPC initiative. UNCTAD should closely monitor the relationship between debt and the capacity of African countries to generate savings to support investment. UNCTAD's technical support and advisory services for capacity-building in debt management for African countries should continue. UNCTAD should also continue to provide assistance to African countries in their preparations for negotiations in the context of the Paris Club.

5. Since many African countries' reliance on ODA is crucial, the Committee noted with concern that the levels of ODA had fallen in real terms to their lowest level. This trend needs to be reversed. Therefore, all donors are invited to increase the level of ODA in accordance with internationally agreed targets. UNCTAD should continue to explore ways and means to increase resources for development for Africa, in particular to analyse how ODA could be used as a catalyst to attract other types of flows.

6. While Africa needs to attract foreign direct investment and many of the African countries have undertaken measures to improve the laws and regulations governing FDI, a very small percentage of the total flow of FDI goes to Africa, mainly concentrating in the minerals and energy sector. It was recognized that macroeconomic stability is one of the prerequisites for building investor confidence

and attracting FDI. Ways and means should be considered on how investment can be encouraged in Africa. UNCTAD should continue to explore such ways and means, including issues related to intra and inter-regional investment cooperation and exchange of investment experiences.

7. Incentives and investment are important to agricultural and industrial development. Agricultural development requires substantial investment for, *inter alia*, diversification, vertical integration and maintenance of infrastructure. This cannot only be undertaken by the private sector. A balance needs to be struck amongst food self-sufficiency, surplus extraction and income security for farmers if liberalization of the agricultural sector is to yield positive results. The bias against food crops needs to be avoided. UNCTAD should analyse further development and trade-related questions of investment and incentives in the agricultural sector.

8. The international community should continue to implement and make operational the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food Importing Developing Countries. The Committee recognized that many African countries had taken unilateral measures towards trade liberalization. The degree, pace and sequencing of trade liberalization would need to be adapted to the development conditions of each country, bearing in mind its impact on national capacity-building. The value of trade preferences will inevitably decline as trade liberalization continues and it will be necessary to develop policies to address the actual and the potential losses that will be incurred.

9. Structural adjustment programmes require predictability and need to be tailored to the individual needs and the level of development of countries. Frequent interruptions of programmes can erode investor confidence. UNCTAD commends efforts to make structural adjustment programmes more sensitive to these concerns.

10. The Committee recognized the importance of an enabling environment and appropriate policies to encourage the creation of a dynamic entrepreneurial sector which needs to be complemented by the strengthening of capacities of public institutions.

11. Regional and sub-regional integration could create larger and more competitive economic spaces, which would help achieve economies of scale, increase trade and economic cooperation among African countries, and between African countries and others, as well as attract foreign investment. In this context, UNCTAD should continue to support economic integration in Africa.

12. The Committee welcomed the various initiatives taken by the international community in connection with Africa, including the United Nations System-wide Special Initiative on Africa, the Global Coalition for Africa, the G-8 Declaration on Africa: "Partnership for Development" at the Denver Summit, the United States initiative, and the Second Tokyo International Conference on African Development to be hosted by the Government of Japan. The Committee noted the intention of the member States of the Lomé Convention to negotiate, as of September 1998, a new EU/ACP framework agreement. It looked forward to the successful implementation of the above initiatives in cooperation with the beneficiary countries.

13. UNCTAD is requested to integrate into its analysis in the context of the work programme of its Commissions and expert meetings the specificities of the African dimension. In addition, the secretariat is requested to analyse further the opportunities and impediments for growth and development in Africa, the means to ensure the sustainability of growth, as well as the requirements for the emergence of a dynamic business sector.

14. UNCTAD is invited to cooperate closely with other relevant international organizations in the implementation of the above conclusions.

15. The Secretary-General of UNCTAD is invited to report to an Executive Session of the Board on activities undertaken by UNCTAD in favour of Africa.