Agenda Item 50: Causes of Conflict and the Promotion of Durable Peace and Sustainable Development in Africa

Statement by Hon'ble Mr. J. Chitharanjan, MP on November 1, 2000

Mr. President,

Permit me to begin by congratulating the distinguished Permanent Representatives of Singapore and Spain, whose dedication and commitment to the work of the most important Open Ended Ad Hoc Working Group of the General Assembly led to the successful adoption of its report by consensus. We support the extension of its mandate and look forward to continued active and constructive participation in its work, which, we hope would result in concrete actions to effectively support the efforts of the African countries themselves directed towards economic growth, prosperity and well-being of their peoples.

Africa's problems are not unique. They are not problems because they are African. They are problems which have bedevilled countries in similar situations, in Europe and elsewhere, many times before. The solutions to these problems, therefore, have to be the same that were found for Europe after 1945: namely, aid, development, trade and co-operation. The crucial difference is that while a devastated Europe received a generous and sustained infusion of capital under the Marshall plan, resurgent Africa has seen prospects for its development and growth denied by a paucity of financial resources. The totality of this challenge needs to be addressed comprehensively, effectively and urgently. We are satisfied that the Millennium Declaration decided to support the consolidation of democracy in Africa and to assist African countries in their struggle for lasting peace, poverty eradication and sustainable development. The resolve of our leaders, contained in paragraph 24 of the Millennium Declaration, is clear - the approach of the international community should be guided by the spirit of learning from Africa, to help itself by helping Africa and not to preach the "perceived wisdom" which seeks to guide the development cooperation today. Conditionalities of any sort would only worsen the situation.

We strongly believe that Africa's efforts towards eradicating poverty are predicated on the twin factors of sustained economic growth and external financing. According to "World Economic Situation and Prospects 2000", African economies grew by 3% in 1999, recording a marginal increase over the 2.8% economic growth rate of 1998. Notwithstanding this improvement, economic growth over the last decade in Africa has been neither strong nor sustained enough to increase per capita income and to achieve substantial and sustained reduction in poverty levels. It has been estimated that 44% of Africans in the continent as a whole, and 51% of the population in sub-Saharan Africa, live in absolute poverty. Annual GDP growth rate of between 7 and 8% would be required to halve poverty by 2015. Without growth there cannot be any increase in household or government spending, in private or public capital formation, in health or social welfare.

The question before us, therefore, is how to achieve these growth rates. Another report submitted to this Millennium Assembly (A/55/350) has estimated that an annual investment of 30-40 per cent of GDP is required. With current domestic saving rate of around 18%, it is clear that at least 22% of Africa's GDP should be provided annually by

required external resources. In July this year, UNCTAD in its report "Capital Flows and Growth in Africa" said that the only feasible way to end aid dependence of Africa is to launch a massive aid programme to sustained rapid growth for a sufficiently long period. It estimated that a doubling of aid flow for sub-Saharan Africa to $22 billion a year would amount to no more than an increase of five US cents to every dollar hundred of consumer spending in OECD countries, surely not big numbers!

The issue of debt-cancellation deserves special consideration. High ratios of external debt to GDP and a high debt service ratio continue to characterize several African countries. Clearly, deteriorating social spending is largely due to rising claims of interest payments on public debt. In many African countries, per capita external debt is twice the yearly income. Africa's debt has increased from $344 billion in 1997 to $359 billion in 1999; debt service as a percentage of export of goods and services has been continuously increasing from 21.3% in 1997 to 28.7% in 1998 and to 30% last year. According to almost all measures, despite the high media-visibility debt-relief initiatives, the burden of African countries has been worsening. Many of them have been trapped in a debt cycle whereby new aid is given to service existing debt stock. For sub-Saharan Africa as a whole, arrears on interest payments on long-term debt accumulated from 1989 to 1998 are over $13 billion or 14% of the current account deficit. UNDP estimates that 19,000 children die every day in sub-Saharan Africa because money has to be spent on debt-repayments and debt-servicing rather than basic health care. This is clearly unacceptable. What is urgently required are additional resources, apart from the ODA, to finance fully the envisaged debt-cancellation.

We are happy that the International Conference on Financing for Development would focus on issues related to African development. We would wish to make only three points.

Firstly, on the issue of domestic mobilisation of resources: in these subsistence level economies, instead of stressing domestic resource mobilisation the international community should concentrate on international actions, to meet the 22% financing gap.

Secondly, it is abundantly clear that the overall increase in private capital flows to developing countries has largely bypassed Africa. In 1999, Africa attracted only $8.6 billion in FDI portfolio of the total of $192 billion to all developing countries. This underlines the need for capital exporting countries to eliminate any restrictions, formal or informal, on investments in African countries.

Thirdly, the most important issue of return of capital squirrelled away from these countries. Capital flight remains pervasive and was estimated at about the size of Africa's external debt stock at the end of 1990s at around $350 billion. The situation is complicated by the unwillingness of the foreign governments, in whose banks lies the preponderant portion of these massive amounts, to make efforts to return this capital to those to whom it rightly belongs -- the people of Africa. Africa urgently and desperately needs these funds, not only for development, but also to further its valiant efforts in stanching corruption and to ensure that bribes of a corrupt international economic system do not impair the development of the honest people of Africa. Can we take effective steps to address this issue?

Two years ago, the Secretary General emphasised the importance of export-led growth for Africa. It is claimed by some that economic growth in 1999 was essentially export-led and that GDP growth in 2000 is expected to increase to 4.2% largely due to an anticipated increase in the value of exports to 11.5% this year. However, African countries are basically primary produce exporters who have suffered sharp deteriorations in terms of trade. Tariff peaks and tariff escalation and agricultural support policies and restrictive agricultural safeguards of OECD countries, severely impede the development of export-oriented growth of many African countries. After all how can a farmer in Africa effectively compete with his western counterpart when the latter received an average annual subsidy of $ 25,000 in 1996 and when the OECD spends an equivalent of more than Africa's total GDP to subsidize its farmers? In fact, it has been variously estimated that as a result of the Uruguay Round of Multilateral Trade Negotiations, Africa stands to lose up to $ 1.2 billion every year. And, effective actions must be taken to redress this situation.

A few points of detail, Mr. President, on the report of the Working Group before us. We would like to strongly suggest, with regard to paragraph 9(d), that the role of UNDP in this, and indeed other areas, must be guided by the principles of operational activities, and must not be a strain on its primary role, that is, assisting developing countries in their national development priorities. Furthermore, we have noted from paragraph 17 of the report of the Working Group that "tied aid has reduced the effectiveness and amount of aid available for use within recipient countries." We would, of course, have hoped that the Assembly went beyond, to ask for complete untying of aid as the single most important factor for enhancing aid-effectiveness. Tied aid makes a mockery of the recent talk of giving recipients a bigger stake in making a success of aid projects - letting them own them in the jargon - or as recently a donor had been heard to say in an African country "yes, of course, they must own the projects. We will force them to do it. However, our people back home would be more comfortable if our national was in charge, since vast amounts of tax payers money are being spent. If they do not like it, they can get their money elsewhere." This must cease.

Finally, Mr. President, we should eschew the propensity to look at Africa as a homogenous entity with same problems in all countries. Obviously, there can be no universal blue print, and policies have to be tailored by each recipient country for its specific structural and economic needs. Our role should be to assist, where we can make a difference, in the actual implementation of the choices made by the African countries themselves.