Agenda Item 30: Implementation of the United Nations New Agenda for the Development of Africa in the 1990s, including measures and recommendations agreed upon at its mid-term review

Statement by Hon'ble Mr. Vijay Kumar Malhotra, MP on November 10, 2000

Mr. President,

May I compliment the Secretary General for the comprehensive nature and thought-provoking quality of the reports (A/55/350 and A/55/350 Add.1) before us. We have read these documents with great interest and believe that a thorough examination and implementation of the recommendations contained therein, would certainly contribute to the implementation of the resolve of our Heads of State and Government at the Millennium Summit to "meeting the special needs of Africa".

During discussions on this Agenda item at our 53rd Session, my delegation had pointed out that "the best of intentions and goodwill have to be matched by the provision of adequate resources that are not only sufficient for the implementation of the New Agenda for the Development of Africa but which lead to a per capita growth rate in gross domestic product of at least 8% per annum, judged to be the minimum required for an effective fight against poverty in the African continent". We had then fully concurred with the views of the Secretary General expressed in document A/53/390, that one of the critical issues hindering the implementation of the New Agenda related to the impediments encountered in increasing financial flows to the countries of Africa. We note from paragraph 165 of the report A/55/350 that effective mobilisation of financial resources, despite oft- expressed political resolve, remains a critical development challenge for the African region. Given the critical importance of this issue, the Secretary General has presented to us an addendum exclusively concentrated on the mobilisation of additional resources for African development.

The picture, Mr. President, outlined in this addendum is bleak: inflows have been largely offset by outflows; ODA to Africa has been falling by about 24% in real terms since the commencement of the New Agenda for Development of Africa; and, most importantly, the perceived integration of African countries in the globalised market place appears to be becoming a curse, with Africa's loss of market shares in its exports over the period 1970-1997 representing a staggering annual income loss of $ 68 billion or nearly 20% of its gross domestic product. The report correctly points out that, in comparison with the trend of the eighties, the recent trends indicate a worsening of the aggregate resource flows to Africa. It furthermore makes the absolutely valid and crucial point that ODA and other external resource in flows are falling precisely when the need is greatest, when the African countries have undertaken valiant economic reforms, when they have achieved considerable progress with regard to the promotion of the private sector, intensification of democratisation processes and strengthening of civil society institutions, and the like. It is clear that the productivity per dollar of ODA in Africa has increased considerably through these efforts of African countries: but it is saddening that increase in efficiency in utilisation of external assistance should be matched, not by enhanced commitments, but by reduced inflows.

Africa is perhaps the only region in the world where per capita income in 1998 at US$ 688 was lower than the per capita income of 1980 at $749 and it is the only region where poverty is projected to increase in the next decade. Sustainable reduction in poverty can only be ensured through promoting sustained and broad-based income growth. It has been estimated that to ensure the required growth rates, investment rates of at least 30 to 40% of GDP per annum would be required by sub-Saharan African countries. With their average savings rate at 13% during the 1990s, or even with the current

domestic savings rate of around 18%, they face a significant resource gap of at least 22 to 27% per annum. This gap must be filled by external financial resources. We have noted from the report that the average national savings rate of 15.8% for the period 1996-98 was too small in comparison with Africa's historical peak performance of 28.4% in the eighties. But, as the report itself points out, and as my delegation had said two years ago, there can hardly be any savings at subsistence levels, without squeezing consumption. Furthermore, the savings rate, even in face of difficulties, is depleted by capital flight which remains pervasive and severe and by net transfer of resources abroad in the form of net factor income less public grants.

These structural impediments could have been overcome had the international community been responsive to the needs of Africa. But, as the Secretary General states, in terms of quantity, reliability and effectiveness, external finance has been disappointing. The inflow of capital to African countries has steadily declined from $28.2 billion in 1995 to $20.8 billion in 1996 and to $17.1 billion in 1998 - a fall by over a third in three years. The fall in ODA from $19.7 billion in 1992 to $9.7 billion in 1998, less than a half of its value six years ago, is even more disturbing. Relative to promises and expectations, which were generated when we estimated that ODA should increase by 4% per annum in real terms in nineties, the fall has been dramatic. Instead of any increase, the reality is a 24% decline in real terms, or an average annual decline during the last 10 years of 2.4% per annum.

The reason for this decline is implicit in paragraph 25 of A/55/350/Add.1. As the Secretary General States, "in reality, development is but one of the multiple objectives served by aid". The end of the cold war did not produce a peace dividend simply because many African countries, and indeed other developing countries, lost their strategic appeal. Another problem is that foreign technical assistance absorbs over 24% of ODA; more than 100,000 foreign experts in Africa cost about $4 billion per annum and represent a major leakage of aid resources. Multiplicity of donors with their differing requirements also weakens African capacity as "the new parallel aid economy attracts the more skilled civil servants with higher salaries while the remaining civil servants spend more than 50% of their time dealing with a myriad of donors". Much of the aid delivery bypasses national budget process and weakens the accountability of democratically elected leaders to their own people.

Some of the suggestions put forward by the Secretary General deserve our immediate and urgent consideration. Two, which could have a critical influence, are complete and full untying of aid and ensuring that technical assistance is used for capacity building, through taking our cue from the aid recipient who must be in the driver's seat. Another courageous proposal of the Secretary General which deserves to be fully supported is the need to acknowledge that the current system based on altruism has not worked well, and the time has, therefore, come to institutionalise aid commitments as mandatory obligations with an institutional mechanism to collect such resources from developed countries and transfer them to the needy countries.

The Secretary General has estimated that terms-of-trade losses typically offset 70% of ODA to Africa, and exceed all inflows to Africa - ODA, FDI, private lending and portfolio flows. The international community must act in concert to ensure that market access to products and manufactures from Africa is available as an integrated element of its development process. Rising levels of protectionism in developed country markets, tariff escalations and tariff peaks, protectionism, frequent and unjustified use of anti-dumping duties and countervailing measures, and non-tariff barriers to African exports, as indeed for exports from other developing countries, must be effectively removed.

The issue of external debt and the problem of debt overhang deserves urgent consideration. Many African countries have become trapped in a debt cycle whereby new aid is given to service existing debt stock. While such aid shows up as "new resources", it is a mere accounting adjustment without any new dollars reaching the supposed recipient. What is urgently required are the additional resources, apart from ODA, to fully finance the envisaged debt cancellation. Another important issue is that of the return of capital squirreled 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 efforts to stanch corruption.

If we can achieve the mobilisation of the required financial resources, we are convinced that African countries would make even further progress. We commend the people of Africa and their leaders for the significant gains outlined in the report of the Secretary General, even though the external economic environment remained unfavourable to them. This is a predicament that we, and other developing countries, share and empathise with.

Mr. President,

India has always attached the highest priority to her cooperation with Africa. Within our resource constraints, we are committed to contributing to capacity building through expanded technical cooperation with countries of Africa. More than 60% of nearly 1500 training slots every year in our best institutions, in diverse fields ranging from banking, foreign trade, hydrology and water resources, communications, electronics, satellite, agriculture, small and medium industry, software, renewable energy, and the like, are reserved for nominees from African countries. We have also implemented and initiated technical assistance and infrastructure building projects in Africa under our cooperation programme, including upgradation of hospitals, establishment of rural health centres, establishment of demonstration farms to promote agricultural sufficiency, establishment of solar energy lighting systems, manufacturing plants for poultry vaccines, entrepreneur development centres, mechanical training workshops, IT training centres, etc. Cooperation between private sectors of India and the African countries is also growing at a vibrant pace. Several joint ventures in manufacturing sectors have been established by Indian private sector companies in Africa. In certain sectors like railways, the Indian industry is involved in a major way in the development of African transport infrastructure.

We propose to continue further in this direction, as we believe that Africa and India are bound by ties that reach far into history and our partnership should embrace the future. We will endeavour to contribute, to the maximum extent possible within our capacities, to the efforts of African countries towards growth and self-reliance, particularly in human resource development, since it is in their success, in the true spirit of South-South solidarity, that our progress also lies.