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Organization of African Unity

**STATEMENT BY
DR. SALIM AHMED SALIM,
SECRETARY-GENERAL OF THE OAU,
AT THE OPENING OF THE
EIGHTH E.C.A. CONFERENCE OF MINISTERS OF FINANCE**

**UNITED NATIONS CONFERENCE CENTRE
ADDIS ABABA, ETHIOPIA**

21 NOVEMBER 2000

Mr Chairman,

Your Excellency Ato Meles Zenawi, Prime Minister of the Federal Democratic Republic of Ethiopia,

Mr. K.Y Amoako, United Nations Under-Secretary-General and Executive Secretary of the Economic Commission for Africa,

Honourable Ministers,

Distinguished Delegates,

Excellencies,

Ladies and Gentlemen,

This Conference of African Ministers of Finance is taking place at a critical juncture. As we enter the new millennium, our peoples continue to grapple with enormous social, political and economic problems. Poverty is widespread and on the increase. We are faced with the burden of unsustainable debt. Africa's share of world trade and investment remains low and is on the decline. All these are a reflection of the continued marginalisation of our region in the global economy.

These adversities however should not constitute a source of despair, nor should they generate a sense of resignation. On the contrary, they should strengthen our resolve to redouble our efforts to meet the challenges confronting our Continent so that we can assume our rightful place in the community of nations.

Last year you were gathered here to review the state of the economies of African countries, consider the success or otherwise, of the socio-economic reform programmes that our countries have been undertaking and, on the basis of that introspection, you issued a statement mapping out the way forward for Africa.

Mr. Chairman,

Soon after your meeting, your colleagues, the African Ministers of Trade joined their counterparts in Seattle, USA to hold the Third Ministerial Meeting of the World Trade Organisation from 29 November to 3 December 1999. As you know that Conference which was expected to launch a new round of multilateral trade negotiations was marred by continuous demonstrations and controversies over the issues at stake. It came therefore as no surprise that the Conference failed.

In April this year, we watched massive demonstrations around the premises of the World Bank and the IMF in Washington D.C. in which the protesters were calling for, *inter-alia*, the reform of the International Financial System and the Bretton-Woods Institutions and cancellation of the debt of developing countries.

The same phenomenon was observed in the streets of Bangkok, during the 10th Session of UNCTAD, though this one was less violent, but the point was made and the call for the reform of the international financial system was heard loud and clear.

Last month, the Meetings of the World Bank and the IMF held in Prague, the Czech Republic, also witnessed violent clashes between the protesters and the police.

Mr. Chairman,

The message one can derive from this public manifestation of discontent is obvious. It is that away from our Conference Halls, the world is waiting to see a change in the way the world economy is functioning. To me, these demonstrations constitute a call for globalisation with a human face. Our people toil in their farms and factories only to receive inadequate remuneration for their labour while they watch the prices of their commodities tumble in the international commodity markets. On the other hand, they continue to witness the soaring of the prices of goods imported into their countries. Those who have some form of employment continue to yearn for the day when they will be able to afford a living wage. Others who are unemployed continue to hope for the day that they will engage in some meaningful economic activity.

Indeed, those demonstrators in the streets are without doubt calling for the reform of the international financial and trading system. In Africa, we have started to deal with these problems. Last month in Cairo, your colleagues the Ministers of Trade, meeting in their Third Ordinary Session made far-reaching recommendations aimed at improving the performance of African countries in the global trading system.

Above all, the decision made in Sirte, Libya, by African Leaders in September last year, to create an African Union and to expedite the implementation of the Abuja Treaty is the most profound manifestation of a commitment to undertake and expedite a transformation of our Continent. Furthermore, the endorsement of the Constitutive Act for the Union, that was made at the Lome Summit in July this year, and particularly the inclusion of financial institutions to be among the major organs of the Union that have to be established in the long run, is a tacit recognition of the critical importance of the financial sector for the development of this continent.

Mr. Chairman

It is gratifying to note from your work programme that this Conference will address some of the critical factors that impinge upon the development of a sound financial system in African countries. I am confident that your deliberations will examine the emerging opportunities and expose the critical barriers that confront us. It is equally noteworthy that you will also consider the various measures that are needed from the African perspective in creating a new global financial architecture that will enable our countries to engage effectively in the globalising world.

A critical issue in the global financial architecture is the problem of Africa's external debt and its impact to the people of this continent. Again and again we have made the point that the heavy external debt undermines the economic development of African countries. It is also contributing to the state of instability that prevails in some parts of the Continent, generating excruciating suffering to the people, and denying a better future for generations to come.

There is hardly any country in the region whose growth and development have not been constrained by the debt problem. A significant amount of available resources devoted to debt servicing has been at the cost of investment in infrastructure and social services, which are critical for sustainable development. For many African countries, debt servicing consumes more resources than public expenditure on education and health combined. Moreover, the diversion of resources for debt servicing has led to the retrenchment of critical imports and a deepening of poverty.

Notwithstanding a profusion of debt reduction initiatives, including the "Highly Indebted Poor Countries (HIPC)" Initiative, the accompanying conditionalities have limited their benefits for most African countries. Up to now very few African countries have qualified for the HIPC initiative. Also, in relation to the magnitude of Africa's debt, the resources available for debt relief under the initiatives have been grossly inadequate. The issue, therefore, is no longer one of intermittent experimentation with palliatives; the problem requires a major effort, in terms of ensuring that the burden is meaningfully alleviated and in the long run the total debt is canceled. This, I believe, can be achieved provided there is a requisite political will.

In addition to the debt problem, the other aspect of the global financial arrangement that has a negative impact to our Continent is the declining level of development assistance. During the 1960s and 1970s, the Official Development Assistance played a major role in the development efforts of African countries. However, since the early

1980s, these flows have dwindled in real terms and virtually stagnated in the 1990s. This is happening at a time when most of our countries are grappling with severe external payments problems and when private capital inflows, particularly Foreign Direct Investment, have remained below expectations.

It is necessary to reinvigorate our resolve in engaging the major creditors and seeking ways of alleviating and ultimately eliminating the debt burden. Similarly, we need to intensify our efforts in ensuring increased development assistance to African countries. At the same time, it is also important to promote closer co-ordination and co-operation among African countries as the means of enhancing our capacities and avoiding excessive external dependence. In the same regard, while striving to get better terms of trade and more access to global markets, it is necessary to invest appropriately in domestic capacities that can enable us to be competitive in the global markets.

Your meeting is, therefore, faced with the challenge of considering and analysing the emerging patterns of the global financial system and their impact on our Continent. It should then come up with concrete measures that need to be taken in avoiding the dysfunction and harnessing the opportunities.

An important lesson that should not be lost sight of derived from the experience of the past two decades is that aid alone cannot be the basis for building dynamic and competitive economies and improving the people's welfare. In this era of globalization, these can only be achieved by increasing the share of African countries in international trade and by attracting foreign direct investment.

Owing to the numerous barriers that are often imposed on goods from our Continent, and also due to structural constraints in our productive capacities, we have not yet managed to achieve a breakthrough in increasing the share of trade. We need, therefore, to take appropriate measures for increasing productivity and competitiveness and also to intensify our engagement in global trade negotiations.

A lot of efforts have been deployed by African Governments in attracting Foreign Direct Investment. During the last decade, radical reforms have been effected in the fiscal and monetary systems, as well as in the institutional and legal framework. Deliberate and sustained efforts have been directed at creating conditions for the effective functioning of the private sector. These efforts continue. Nonetheless, private capital flows have been below expectations with the share declining in recent years. We need to find ways of increasing capital flows.

Basing on the experience of the last two decades, the resolve

and determination of African governments to revitalise the financial sector and to use it as a dynamic element for change, cannot be doubted. One can take note with satisfaction the important reforms that are being implemented aimed at building domestic financial markets, refining institutions of financial management, and improving fiscal regimes. However, the structural limitations that obtain, both in terms of the pervasive poverty and the deficiency of resources pose numerous challenges for resource allocation.

Faced with competing needs and demands, it is often difficult to determine the most optimal manner of responding to the multiple requirements. Basic services such as health, education, or security have to compete for the meagre resources with roads, bridges, industries, democratic elections, or even contributions to regional and continental institutions. The situation is currently compounded by the budgetary strain that is being created by the proliferation of the HIV-AIDS pandemic and other killer diseases like malaria. At the rate in which the pandemic is spreading, large amounts of resources will be required to provide health care for the victims. Furthermore, the fact that the victims of this pandemic include the most productive age groups, most of whom are professionals who have been trained with a lot of resources exerts an additional budgetary strain. Resources have to be deployed not only for sustaining prevention programmes, but larger amounts have to be expended for training new experts.

Similarly, the experience of the last two decades has demonstrated that the endemic conflicts have been a major drain to the Continent's resources. Apart from the budgetary distortions that are introduced by the prominence given to such sectors as defence and security in conflict situations, the destruction caused by the prevailing violence has severe implications for resource sustainability. As Africans, by now we have accumulated sufficient experience to realise the futility of violent confrontation as a means of resolving differences. The OAU and the Regional Economic Communities will continue to strengthen the mechanisms for conflict prevention, management and resolution, but it is equally important that efforts are enhanced within our respective countries to improve systems of governance and to ensure inclusiveness.

Mr. Chairman,

This Conference is also charged with the final preparation for Africa's participation in the Third United Nations Conference on the Least Developed Countries, which is scheduled for May 2001. This is indeed a serious responsibility which I believe will also involve a critical analysis of the social and economic situation of the 33 Least Developed Countries (LDCs) in Africa - out of the world total of 48 LDCs and out of 53 Member States of the Organisation of African Unity.

The First United Nations Conference on the Least Developed Countries, organised in Paris twenty years ago, created an air of optimism and expectations of improved welfare and indeed a reduced level of poverty in this category of countries. This has failed to materialise, even after the Second UN Conference in 1991. In fact it is true to state that the situation has actually deteriorated in the majority, if not all of the African LDCs. Indeed, rather than decreasing, the number of the Least Developed Countries has been on the increase.

It was this aggravating situation that led the 36th Ordinary Session of the OAU Assembly of Heads of State and Government to adopt an important Declaration on the Third United Nations Conference on the Least Developed Countries. The OAU Summit stressed the need for the Conference to go beyond general declarations of intent and commitment, and to give more focus on concrete actions that would contribute to improving the situation in the LDCs and thus enable these countries to recapture the growth momentum.

I am sure that the Honourable Ministers assembled here will be guided by this Declaration of our Heads of State and Government, the highest policy organ in our Continent.

What we are calling for is not an act of charity towards the Least Developed Countries, but rather genuine international co-operation and solidarity in support of the efforts that these countries have deployed, and are deploying, to face the serious challenges of socio-economic development and poverty eradication. Indeed, the Declaration adopted by the OAU Summit last July in Lome reaffirmed that the development of African LDCs is primarily the responsibility of their governments and peoples. African leaders have thus committed themselves individually and collectively to support the efforts of the LDCs through programmes for promoting regional economic co-operation and integration, so as to contribute to facilitating the integration of the LDCs into the global economy, on an equitable basis.

This meeting of African Ministers has the opportunity to articulate an African position on the critical issues that the Third UN Conference should address, and contribute to the promotion of genuine international co-operation and solidarity for development. It is in so doing that the Third UN Conference will make a difference and add value to the effort to support the LDCs, which constitute the weakest link in the chain of international co-operation.

I would like to conclude by stressing that the issues you will be addressing have an important bearing for the attainment of the objective of promoting development in our Continent. More

specifically, your deliberations will contribute towards the realisation of the commitment of establishing a framework for closer co-operation and integration and the subsequent creation of the African Union. There is a political commitment among African leaders as expressed in the Sirte and Lome decisions. It is forums such as this one that can translate that commitment into concrete outcome.

I wish you every success in your deliberations and I thank you for your attention.