

African Economic Conference 2017: Governance for Structural Transformation

Statement Delivered By Lamin M. Manneh, Director, UNDP regional Service Center, Addis Ababa, on Behalf of Mr. Abdoulaye Mar Dieye, UN Assistant Administrator, UNDP Assistant Administrator and Regional Director, UNDP Africa

Time 10 min

4 December, 2017, 9:30, UN Conference Centre, Addis Ababa, Ethiopia

[GREET BY NAME: VERIFY THE LIST BEFORE THE SPEECH]

Your Excellency Hailemariam Desalegn, Prime Minister of the Federal Democratic Republic of Ethiopia

Your Excellency Moussa Faki Mahamat, Chairperson African Union Commission

Madame Vera Songwe, Executive Secretary, United Nations Economic Commission for Africa (ECA)

Mr. Célestin Monga, Vice-President, Economic Governance and Knowledge Management, African Development Bank (AfDB)

Prof. Richard Joseph, John Evans Professor of International History and Politics at Northwestern University, Illinois, USA

Excellencies, Ambassadors and representatives of the Diplomatic Community

Representatives of National and Regional Research and Academic Institutions,

Representatives of the Private Sector, Civil Societies and the Press,

Dear Colleagues from our Collaborative Institutions for AEC,

Distinguished Participants,

Ladies and Gentlemen,

On behalf of Mr. Abdoulaye Mar Dieye, UN Assistant Administrator, UNDP Assistant Administrator and Regional Director, UNDP Africa, it gives me great pleasure and

honor to join the other colleagues from the Podium in delivering this welcome address to such a distinguished audience, at this 12th African Economic Conference 2017, on the theme, “Governance for Structural Transformation” jointly organized by the African Development Bank, the UN Economic Commission for Africa and the United Nations Development Programme and hosted by the Government of Federal Democratic Republic of Ethiopia. Mr. Mar Dieye, as many of you know, would have loved to be here with you all in person but has been constrained by circumstances beyond his control. Your Excellencies, Mr. Mar Dieye requests that I transmit his warm greetings to you and best wishes for the meeting.

Before proceeding, allow me to express our gratitude in a special manner, to His Excellency Hailemariam Desalegn, Prime Minister of the Federal Democratic Republic of Ethiopia for being with us here despite his extremely busy schedule. His presence here attests to his personal commitment and that of his Government to promotion of transformational governance in support of Africa’s structural transformation and sustainable development.

I would also like to thank to thank the Distinguished Heads of the collaborating Institutions, AU, ECA and UNDP for their strong partnership in sustaining the very useful African Economic Conference (AEC).

Excellencies, Distinguished Ladies and Gentlemen, we believe that It is fitting that we are having this meeting here in Ethiopia. It is a country that has amply demonstrated its strong commitment to transformational initiatives and is currently successfully implementing its very innovative and seminal Growth and Transformation Plan 2 (GTPII), which focuses on, and I quote, “creating conducive conditions for macroeconomic stability, ensuring fast, transformational &

sustained economic development, infrastructural development, human resources and technological capacity building, ensuring good governance and democratic systems building”¹.

This clearly demonstrates the importance of transformational good governance in driving Ethiopia’s economic structural and societal transformation.

The rest of my statement will revolve around three major themes: the first is the articulation of the ***theoretical dimensions*** linking governance, development and structural transformation. As many of you are aware, a huge body of literature has built around the interrelationships between governance and development since the momentous events of 1989 in particular when the transitions from the old Soviet Model began and the winds of change spread to the rest of the world, including Africa. In the early 2000s, many seminal works by UNDP on governance point to good governance as one of the major independent variables explaining sustainable and inclusive development.

Mckinsey, MO Ibrahim Foundation and others have shown that contrary to popular opinion, only one third of Africa’s growth can be explained by natural resource extraction and the commodity boom. In fact, much of Africa’s growth is explained by improved governance in general and *political and macroeconomic stability* and reforms as well as the *growing domestic demand* from urbanisation and the rise of the middle class in Africa.²

Yet, while previous analyses gave equal weight to these three forces in propelling Africa’s growth, UNDP’s own analysis shows that governance parameters such as

¹ [Ethiopia Voluntary National Review](#) (2017)

² <https://www.mckinsey.com/global-themes/middle-east-and-africa/lions-on-the-move>

democratic transitions, *public financial management and stability* have a much greater impact on growth than changes in *commodity prices* or rising *middle class incomes*³. In fact, depth and breadth of participation as well as the quality of public management, including budget management, fiscal policy, revenue mobilisation and transparency and more robust public administration have a strong impact on growth. For the 31 countries in our sample, those with a higher score in public management (Mo Ibrahim Index) had much higher rates of real GDP growth. And leading countries also have a lower share of the contribution of primary commodities in GDP.

This means that Africa's long term transformational growth trajectory will depend very much on effectively addressing existing political, economic, social and environmental governance deficits in order to drive substantial multipliers from good governance on Africa's competitiveness, growth and human development.

Now let me turn to my second major theme, which relates to the ***validation dimension*** of the relationship between governance and structural transformation. Based on country evidence presented at the *International Conference for the Emergence of Africa* held in Abidjan in February this year, three classic examples have emerged to demonstrate that sustained reforms and macro-economic stability lead to a tipping point and an accelerated inflection path towards growth and Africa's emergence.

First, leading countries such as Cote D'Ivoire, Ethiopia, Mauritius, Rwanda, Senegal, South Africa and Seychelles have demonstrated the importance of **expanding fiscal**

³ Households that earned USD 5,000 or more – the level at which they start spending roughly half of their incomes on items other than food according the Mckinsey, 2010: Lions on the Move

space on growth. Emulating their best practices in innovative revenue collection, open budget tracking and integrated financial management will move Africa from the current average of 19% tax to GDP ratio towards the 24% threshold for sustainable funding of development proposed by UNCTAD.

Second, outstanding countries such as Cabo Verde, Ethiopia, Gabon, Morocco, Rwanda, and Mauritius have demonstrated the importance of improvements in **managing inflation and improving gross national savings** on growth and stability, even though the African average gross national savings of 20-32% is still lower than in developing Asia (41%).

Third, the improved **macroeconomic stability and business environment** in Cote d'Ivoire, Mauritius, Rwanda and Tanzania is the major force behind rising inward financial flows. Across Africa, inward FDI flows and portfolio investments of up to USD 63 billion now dwarfs official ODA of USD 51.6 billion in 2017, although they are slightly less than the USD 66 billion received in remittances.

This brings me to the **third major theme of this statement, which is extrapolating the way forward** in order to exploit the strong linkages between better governance and structural transformation. Countries must invest strategically in putting in place these key governance actions in order to accelerate structural economic transformation and progressive human development in Africa

- **Governance and institutional policies:** This includes major initiatives for improving participation of large sections of societies in the governance of

their countries and ensuring responsive leaderships as well as policies for macroeconomic stability, public sector reforms to reduce corruption, improve efficiency, and ensure efficient service delivery.

- **Structural economic transformation policies:** Strategic investments in creating an enabling environment for increased productivity, diversification of productive bases and competitiveness including strong institutional coordination and monitoring.
- **Social and human development policies:** Promoting sturdy social contracts is an imperative for enhanced participation, empowerment and accountability to exploit the strong correlation between inclusive governance, supportive social norms, growth and human development.

Let me conclude by recalling the words of Kofi Annan, former UN Secretary-General, **“Good governance is the single most important factor in eradicating poverty and promoting development.”**

Unless our societies and economies are well governed and fully transformed, Africa faces an uncertain future with threats arising from underexploited human and natural assets, rising debt unsustainability and the inability to invest the resources needed to achieve the ambitious global SDGs and Africa’s Agenda 2063

Urgent actions are now needed to transform Africa to the aspiration of Agenda 2063 of “an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena”⁴:

⁴ [The Africa We Want](#) (Agenda 2063, AU, 2015)

1. African countries must raise their **global competitiveness** through transparent and responsive political and economic governance institutions that foster innovation and technological advancement which will help to create jobs, provide goods and services and improve the livelihoods of Africa's growing urban population.
2. Using **new and innovate financial mechanisms** to finance the SDG Financing Gap of USD 614 – 638 billion per year requires a strong development state and greater citizen and private sector engagement. There is significant room to grow the current investments from African Sovereign Wealth Funds - estimated at USD 163 billion to capitalize on the estimated USD 7.2 trillion available worldwide. Africa could also grow its Pension Funds' investments estimated at 334 billion out of global assets of USD 36 trillion.
3. **Progress in human development** is key to advancing good governance and structural transformation, particularly in terms of health, education and social protection. Our recent report on *Inequality Trends in Africa* shows that ensuring equitable access to quality education and addressing social and economic exclusion are the most critical drivers of reducing inequality across Africa.
4. Africa must also focus attention on **improving local governance and community development** initiatives based on strong decentralization and devolution policies and programs such as the *Programme d'Urgence de développement communautaire (PUDC)* in Senegal and others.

UNDP is actively promoting inclusive and resilient governance institutions and processes as an effective strategy to realize the SDGs and Agenda 2063.

- We have supported the African Peer Review Mechanism (APRM) since its founding in 2003 including peer reviews of 17 countries of the 35 countries that have acceded to the mechanism and the development of the first 5-year strategic plan for transformative leadership for effective implementation of Agenda 2063.
- UNDP Africa is also contributing to sustaining peace through a “framing development solutions to radicalization in Africa” project on preventing violent extremism. Our flagship publication *Journey to Extremism in Africa: Drivers, Incentives and the Tipping Point for Recruitment* presents findings from over 495 interviews, in 8 countries that uncovered key drivers of insecurity and violent extremism in the Sahel region that are governance related. These include poor service delivery, weak governance institutions and limited pathways to economic empowerment for excluded areas and populations.
- Since 2012, UNDP has been instrumental in providing both technical and financial support to the organisation of Annual High Level Dialogues on Democratic Governance Trends on the continent including thematic Pre-forums and gender pre-high level consultations. These dialogues are part of the African Governance Architecture (AGA), the overall continental framework for promoting, nurturing, strengthening and consolidating democracy and governance in Africa.
- The UNDP Africa Regional Director is keen about promoting transformational governance in Africa in collaboration with Statesmen like President Paul Kagame and African Union.

Mindful of the challenges ahead, UNDP stands ready to support in partnership with other key institutions Africa's pursuit of a home grown agenda for stronger development states and rapid structural transformation that positively impacts on human development through strong collaborative effort between governments, private sector, civil society and citizens.

Excellencies, Ladies and Gentlemen,

I have the highest confidence that this our Addis Ababa conference will play an important role in guiding us on that journey.

Your Excellency, I, therefore, call on the leaders, economists and policy makers attending our conference today to look beyond the standard indicators of good governance to explore the complex linkages and dynamics behind the interaction between transformational governance, structural economic transformation and sustainable human progress. This will be the key to unlocking Africa's potential and advancing Africa's prosperity for all and a much more robust role in the global arena.

Thank you for your kind attention. Asante Sana. Merci Beaucoup. Soucran.

Obrigado. UmaAsagnalene.

