Africa as an actor in global governance reform for development

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Ladies and Gentlemen

Thank you for the invitation to address this conference on the important issue of Africa in a new world. The theme for today's part of the programme is global governance, global challenges and Africa.

Allow me first to sketch the economic context within which we are having this discussion. Africa, with a GDP of just over $2 trillion in 2006, is the poorest region in the world. This view is quite different to that held of the continent at the beginning of the 19th century. It was during this time that Africa's income amounted to roughly one-third of that of Europe and recorded growth that was more rapid than in Asia.

However, in the last twenty years of the previous century, GDP per capita on the African continent remained remarkably flat while most other emerging regions enjoyed substantial increases in prosperity and welfare. The picture today is a mixed one. Looking at the economic data in recent years we can say that Africa is in the process of catching up to the rest of the world. Despite slower growth during the present economic slowdown, African economies continue to expand, albeit at a slower pace. Investment is still rising, infrastructure bottlenecks are slowly being addressed and governance on the continent is improving. However, the picture also raises several concerns. Africa remains vulnerable to economic, political, and environmental shocks like no other region of the world. Addressing our vulnerabilities means that we must become constructive players in our long-term socio-economic trajectory.

Economic growth on the continent has largely been sustained and, up until 2008, has been more rapid than in decades. Since the turn of the century, growth has averaged 4.8 per cent, reaching 5.2 per cent in 2007, and Africa is one of the few regions in the world expected to have positive growth in 2009. Macroeconomic policy reforms and outcomes in terms of stability underlie the improving performance. Lower and more stable inflation, manageable debt levels, sound fiscal policies and improved public financial management provide a firm foundation for this accelerating economic growth beyond the present economic slowdown.

While this trend is encouraging, it does not yet provide a sustainable platform for the reduction of poverty and inequality. Africa needs two to three decades of rapid growth to make a substantial dent in the level of poverty.

Nancy Birdsall reminds us that in East Asia and the Pacific the proportion of the population living on or below $1 per day was 57% in 1981, falling to 9% by 2004. In Africa, that proportion has remained static – 42.4% in 1981 and 41% in 2004. South Asia fell from 49.6% to 31%. In 2004, 8.6% of the population in Latin America and the Caribbean subsisted on $1 a day.

Africa is also highly vulnerable to economic shocks, be they a sudden drop in prices of important export commodities, drought, or exchange rate devaluation. For example, a Commission for Africa background paper pointed out that 44 African countries have suffered natural disasters in the last 10 years. In addition, 28 African countries are judged to be potentially vulnerable to aid shocks, due to their high aid dependency ratios, and 24 countries are very vulnerable to export shocks, because they depend on only one product for more than 50 percent of their export revenues. And at least 13 African countries have suffered foreign private capital crises over the past 10 years.

For many African countries, financial pressures limit the range of public services available to help people to overcome the costs of supplying their labour to regional labour markets. Transportation costs can be exceedingly high, in part because of under-developed private markets – few operators – and because of public sector inefficiency (and corruption).

As the Commission for Africa report pointed out, poor infrastructure remains a severe impediment to more rapid growth and poverty reduction:

In some regions of Africa, farmers lose as much as half of what they produce for lack of adequate post-harvest storage. Across the region, women and girls currently walk an average of six kilometres to collect water. The life of those living in urban slums is made still worse by the lack of infrastructure – only seven percent have access to sewerage services for example, leading to economic costs in terms of health and lost work hours.

Some of the handicaps affecting African economies are a legacy of colonialism – railways and roads leading from the interior to the coasts but not between contiguous countries. “Today Africa’s transport costs – local, national, or international – are around twice as high as those for a typical Asian country. Shipping a car from Japan to Abidjan costs US$1,500, whereas moving it from Abidjan to Addis Ababa costs US$5,000.”

Part of the vulnerability equation is access to resources, and as all of you know, access alone has been sufficient to generate civil conflict in many regions. And civil (and inter-state) conflict may well escalate. Resource identification and the infrastructure needed to access them are largely colonial legacies. The lack of investment in infrastructure alone in the intervening decades suggest the probability of increasing conflict over the control of what still remains.

It is also necessary that we remind ourselves that the economic ties between large parts of he world and Africa continues to display the characteristics of neo-colonialism. The hard-won foreign direct investments are largely in the extractive or services industries – capital is owned abroad, to where profits are repatriated; frequently, the professionals are expatriates and little is developed by way of an indigenous entrepreneurial class or an appropriate infrastructure.

So, the context within which we ask ourselves what role that Africa plays in reforming global governance is one where Africa is a laggard in economic development and where even though growth has accelerated, we are yet to translate this into meaningful improvements in the social standing of the majority of people.

The global economic crisis has had two somewhat conflicting implications for global governance. In one respect, supra-national bodies such as the EU or the UN or the AU have had little role to play because tax jurisdictions remain national in nature and because the power of sovereigns to borrow to finance investments or stimulus packages is far greater than that of supranational organizations. The Royal Bank of Scotland might be global in nature or at least European in nature, but went to the government in their home country for a bailout and not to the EU. A German bank which had notionally domiciled in Ireland went to their home government for bailout funds. Similarly, Nigeria's banking clean-up is estimated to cost around $2.6 Billion that will have to be funded by the Nigerian Federal Government alone – pushing back a number of critical investments to improve the quality of life of the country's 140 million people.

The size of fiscal stimulus packages or the quantum of financial injection by central banks could only have come from sovereign governments. The cost of bailing out a single bank is greater than the budget of the EU. The size of South Africa's public sector borrowing requirement this year would probably reach levels in excess of the entire lending programme of the African Development Bank and World Bank's operations in Africa.

From this perspective, the economic crisis has emphasised the role of sovereign governments in responding to the crisis.

However, from a different perspective, this economic crisis has reminded the world that without coordinated action, the negative impact of the crisis is likely to be worse. . The economic crisis drove home the simple fact that for the past two decades, we have had globalisation without the requisite global governance frameworks or institutions. Never before have fiscal and monetary policies been coordinated in such a synchronised manner. Never before had we recognised the extent of the symbiotic nature of the global economy. If a bank fails in the US, it could sink the economy of a country like Iceland. If the US slows down, so will China. If China slows down, so will commodity exporting African countries. Unless China expands domestic consumption and developed countries take fiscal measures to cushion their own economies, the world would be in a far worse position.

At the same time, the major institutions that have come to prominence in responding to the economic crisis have not been the ones that were around twenty years ago. The G7 has lost its importance because of the absence of large emerging economies. The UN has neither the credibility nor the institutional mechanisms to tackle the crisis. The World Bank and the IMF have roles to play but are not the bodies tasked with fulfilling the coordination function. The G20 has emerged as a major player in global governance.

And if you think that the G20 is only relevant in economics, think again. The G20 is also key to making progress in climate change talks. The onset of the economic crisis and in part the change in administration in the US has given multilateralism a new lease of life. Discussions on global public goods are more balanced now than ever before.

What does this mean for Africa? Africa is represented in the G20 only by South Africa (though an AU/ADB/NEPAD delegation has more recently been included for good measure – but this is at the discretion of the rotating chair). So, it is not clear if South Africa represents South Africa, Africa or poor countries in general. At various times, it has shifted between all three of these roles.

When the G8 meets, or the G8 plus five, Africa is invited both though the African Union and through individual countries. Again, it is not clear if South Africa or Nigeria represent the continent. Equally, it is not clear if the AU and the institutions of the AU are mature enough to represent the myriad interests that define Africa.

The introductory note to this conference mentions climate change, migration and food security as key global challenges. To this list I would add poverty, water and energy security, religious extremism and the destruction of major ecosystems such as marine ecosystems, some of which are being destroyed quite apart from the effects of carbon dioxide emissions. All of these global challenges are likely to have a disproportionate effect on Africa for several reasons ranging from geography to poor infrastructure and from continental politics to demography.

Jean François Rischard in his book, High Noon (Twenty Global Challenges, Twenty Years to solve them) not only lists some of the key challenges facing the global economy but also describes in some detail why the present systems of governance are inappropriate to deal with them.

With almost all of these global challenges, resolving them requires change. It requires short term pain, it requires a longer term perspective, and it requires tradeoffs in an inter-temporal sense. Nation states are often incapable of taking long term perspectives due to the nature of democracy and the need for governments, even in countries that are not democracies, to remain legitimate and credible. Put simply, governments find it very difficult to sell short term pain to their populace in return for either uncertain gain in the longer term or gain in some other part of the world. All citizens want to do something about climate change but not everyone is prepared to pay more for energy or close down industries that are energy intensive or inefficient in the use of energy.

Our institutions of global governance are also not suited to deal with the inter-temporal trade-offs. They do not have the power of sanction and, as we well know, there is no point in law without sanction. There isn't a country in the world who will say that they will not trade with the US because the US uses energy inefficiently. I have yet to find a country that is prepared to impose sanctions on some of the well known plunderers of the world fish stocks.

Institutions like the UN have unwieldy decision-making processes and are remarkably change averse. Organizations like the World Bank and the IMF lack the credibility, and in these institutions too, vested rights trump rational behaviour when discussions of reform are on the table.

Rischard proposes the establishment of expert panels and the construction of a set of 20 league tables which will rank each country on an annual basis on each of these global challenges. This will provide objective and credible information to citizens on how their country is doing on any of these challenges. His view is that experts or scientists acting as scientists in the interests of the world are best able to provide the monitoring and evaluation function in a system of global public goods. Such a function will enhance the role of nation states in taking collective action.

I have my doubts about whether such a proposal is likely to work. Nevertheless, the point that the present institutions of global governance is failing to deal with our global challenges is clear.

What does this mean for Africa? Africa's voice in global governance is negatively affected and poorly served by our institutions. We need stronger regional and continent-wide institutions. We need greater cooperation within the continent on a range of global issues. Even more importantly, our voice is limited by how fragmented our economies are. Stronger regional trade, a larger economic bloc, smoother terms of doing business and more integrated markets would be beneficial for African economic integration and for giving Africa a greater voice in global politics. Put simply, greater unity would help us punch above our weight.

The AU summit in Accra in 2007 debated how to drive change with respect to economic and political integration. Two polar positions emerged. Some argued for a swifter move to establish a United States of Africa, with a constitution, constitutional institutions, appointed cabinet and public power to match. The alternative view was to move more concertedly to strengthen Africa's regional economic communities, as envisaged in the Abuja Declaration. This latter position appears to have garnered greater support by African heads of state. However, what is not in dispute is that the 53 countries that define our continent, and are bound by the agreements struck in Berlin in 1885. These do not provide a sufficient basis for economic development of better governance today. Populations and market size are vastly different as is the role of the sovereign state in the economy. We must, as a matter of exigency, enlarge both the market size and market structure. In the short term, at least, we must raise the level of intra- African trade from its abysmally low 10.4%. There has to be new investment in infrastructure that will unlock the potential, for agriculture and trade across Africa.

We must commit to changing the infrastructure design, which was originally designed to transfer primary commodities to Europe rather than fostering regional trade. So it seems in the medium term at least, Africa’s vulnerabilities and economic challenges will be addressed through the more decentralised, regional approach. But defining this approach also needs work. Africa’s regional economic communities suffer from overlapping memberships (COMESA, SADC, SACU) and a multiplicity of regional institutions. Graphically, the picture presented by all of these institutions, is scary. In substance, the complexities increase exponentially when the detail of a myriad of bilateral arrangements with outside agencies, such as the current situation arising from the European Union economic partnership agreements (EPA’s) are taken into account.

In conclusion, the systems of global governance are not yet optimal to deal with the challenges our planet faces. At the same time, we must acknowledge that changes to this system in recent years are positive steps in moving toward a better system of global governance. Despite this progress, the world is still searching for ideas on how best to solve our global challenges. What is clear is that if Africa is to have a greater say in global governance, it has to be better organised and it must demonstrate greater qualities of regional economic development in order to transcend the strictures of Berlin 1885. Ours is not to bemoan the treatment meted out to us, but to earn the respect and our place at the table of world decision-making.

Thank you for your time.