

# Kinshasa Outcome Document

## African Economic Conference 2015

4<sup>th</sup> November 2015, Kinshasa, DRC

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### Preamble

1. The 2015 African Economic Conference, held in Kinshasa, Democratic Republic of the Congo, between 2 and 4 November 2015, was attended by over 250 participants, including Ministers of Economic Planning and Finance, high-level government officials, senior officials of the United Nations Development Programme (UNDP), UN Economic Commission for Africa (ECA) and African Development Bank (AfDB), and development practitioners in Africa. The conference was declared open by **H.E. Joseph Kabila Kabange**, the State President of the Democratic Republic of the Congo (DRC), ably represented by **H.E. Leon Kengo wa Dondo**, the President of the Senate, with a keynote address while **H.E. Augustin Matata Ponyo**, the Prime Minister, DRC, also made remarks on his country's socio-economic progress.
2. The annual conference was jointly organized by the African Development Bank (AfDB), the United Nations Development Programme (UNDP) and United Nations Economic Commission of Africa (UNECA), in partnership with the Government of the Democratic Republic of the Congo.
3. The main objective of the 10<sup>th</sup> edition of the African Economic Conference was to explore the policy, institutional and operational frameworks needed to reduce poverty and inequalities in the context of the Sustainable Development Goals (SDGs) agenda. Thus the theme of this year's conference was "Addressing Poverty and Inequality in the Post 2015 Development Agenda."
4. This document summarizes the outcome of the 10<sup>th</sup> African Economic Conference.

### The Context

5. Since mid-2000 Africa's GDP growth rate has been high and has remained robust averaging 5 percent and well above the global average of 3 percent per annum, instilling optimism of an 'Africa Rising'. African economies grew faster, though below the 7.0 percent targeted for the MDGs. Both resource and non-resource rich countries

contributed to the growth process. The continent's growth benefited from high commodity prices, which provided significant returns to resource-rich African economies. Extractive industries have become a major growth driver for many such resource-rich economies. Underlying this high level of growth was state intervention, improved macroeconomic management and accommodative global financial conditions.

6. Economic growth, however, has not been inclusive and equitable, and has made little impact on poverty and inequality. The poverty rate, as measured by the percentage of people living below US \$1.25 a day fell from 56.5 percent in 1990 to 48.5 percent in 2010. The incidence of poverty only declined on an annual average of 0.4 percentage point. Growth has also not been transformative enough to respond to the challenges ushered by external and internal economic shocks, high unemployment rates, rapid urbanization and changing demographic patterns largely characterized by a youth bulge.
7. The Sustainable Development Agenda 2030 provides an opportunity for Africa not only to ensure that high growth is sustained but also inclusive and sustainable. The development agenda for Africa for the next 15 years is set to be shaped by the Sustainable Development Agenda centered around the 17 goals and 169 targets as well as aspire to ensure no one is left behind. In Africa, the efforts to achieve the SDGs would mean more equitably distributed growth that would improve living conditions in both material goods and services and social cohesion. Growth without redistribution cannot eliminate poverty or bolster sustainable development; the rising tide must lift all boats. The Conference underscored that the Sustainable Development Goals, which will focus on inclusive, sustainable and resilient development, will be aligned to achieve a vision of an integrated peaceful and prosperous continent as articulated Africa's Agenda 2063, which also calls for achieving prosperity based on people-centered development.

## Emerging Issues

8. ***Poverty and inequality still remain high across countries and regions:*** The benefits of the growth process have not been broadly distributed. Growth is a necessary condition for poverty reduction although it may not be sufficient. Income inequality, which is widespread across the regions, appears to be the major factor underlying high level of poverty in Africa, thus highlighting the need to have policies that promotes inclusive growth. Addressing inequality helps to boost the productivity of the excluded. Disparity in access to social (including gender and youth), economic and physical infrastructure is also very pronounced in many African countries. Complementarity between physical and human capital, especially basic education, could play a vital part in enhancing inclusive growth. These efforts need to be strengthened by having strong social protection programmes that insure the vulnerable groups from shocks.

9. ***Overdependence on primary commodities is breeding institutional and governance failures and constraining long term development:*** Natural resource based growth has also led to a series of institutional and governance failures leading to an unequal growth path as reflected by high level of poverty despite high economic growth rates. The prosperity is often concentrated in the hands of a few. Moreover, they have also become growth enclaves with limited linkage with the rest of economy, low value addition and weak employment generation capacity. The risks associated with primary commodity dependence and the associated price volatility are also stifling investment, human capital accumulation and long term development.
10. ***Africa is yet to take advantage of avalanche of resources at its disposal to galvanize its growth and development.*** The continent sits on idle funds such Central Bank reserves, pension funds, banks deposits not given out in the form of credits, unchecked illicit financial flows and un-utilized remittances. These run into over one trillion dollars. Yet, we often give prominence to ODA that is just about \$55 billion.
11. ***High cost of doing business is posing a serious threat to investment in Africa:*** The region ranks high in the cost of doing business, deterring quality investors. Costly business processes, inflexible and costly labour markets, ad-hoc policy environment and corruption are some of the underlying factors behind the high investment risks. The high cost of communication within Africa is another.
12. ***Susceptibility to floods and slums is rising:*** Africa is experiencing rapid urbanization. While urbanization itself has added to the region's growth, it has paid little attention to economics of the underground such as building proper drainage, sanitation and sewage systems to avoid flooding of cities during heavy rains. The rising wave of slum dwelling is also an important driver of poverty and inequality in the continent.
13. ***Low quality of education is constraining progress on poverty and inequality in Africa:*** Africa is progressing steadily towards universal primary education. Since 2000, the majority of African countries have been showing accelerated progress in expanding access to basic education, thus steadily narrowing the gaps in universal primary education. In 2012, over 68 per cent of the countries for which data were available achieved a net enrolment rate of at least 75 per cent in primary education. But the quality of education remains a serious concern. With a 67 per cent primary completion rate, Africa is still far from achieving the primary completion rates for all by 2015. The skill content of Africa's education especially at secondary and tertiary levels still requires urgent policy attention. The need to align the educational system with the labour market reality is also critical.
14. ***Leaving no one behind requires addressing the weak health outcomes in Africa:*** Despite some progress made in recent years, Sub-Saharan Africa remains the region with the worst health outcomes in the world. Country performance also differ heavily across the

continent. Investment in human capital stock such as health and education is low in Africa compared to the rest of the world. Research has found that over 50 percent of the shortfall in Africa's economic growth relative to high-growth economies of East Asia could be explained by such factors as burden of disease, demography, and geography, as opposed to the traditional macroeconomic policy issues.

15. ***Women empowerment and gender equality is central to addressing poverty and inequality in Africa:*** Low gender parity in education at all levels, weak economic opportunities for women, limited involvement of women in politics and exclusions from social services. Promoting unfettered access to factors of production such as finance and land also remains an important challenge in Africa.
16. ***Agenda 2030 calls for timely and credible data:*** Timely and credible data is a major challenge during the MDGs era. Quality, accessible, timely and reliable disaggregated data will be needed for evidence-based policy-making, to help with the measurement of progress (towards the SDGs) and to ensure that no one is left behind. Quality of data is also key to proper programming. However, forecasts without most recent data are not reliable and would lead to wrong policy conclusions. The need to take advantage of the big and open data is also critical.

## **Way forward**

17. Addressing poverty and inequality is central to Agenda 2030 and the African Union's Agenda 2063. Ensuring that no one is left behind by 2030 requires some bold steps including:
18. ***Strengthening the role of State in economic transformation:*** The State should play a critical role in the transformation of economies. It has to be visionary, provide leadership in planning and execution and intervene when markets fail. Some African countries have taken giant strides on this. African leaders should also embrace and engage in a digital technology revolution as a solution to address some socio-economic challenges. Apart from political leadership, captains of industries and CSOs also have an important role to play in economic development. The region needs to share its own knowledge to avoid the same mistakes of the past.
19. There is an urgent need for the countries to accelerate the process of structural transformation and make it more equitable, inclusive, resilient and sustainable, integrating the green dimensions. The following measures are noted:
  - Nurturing of strong and inclusive developmental states and transformational leadership for planning, implementing and monitoring development programmes;

- Broadening and deepening private sector contribution through reinforcing the state/private sector/NGO engagement and taking bold steps towards reforming the enabling and regulatory environment;
- Taking bold steps to diversify the economies away from the primary commodities to avoid the challenges associated with natural resources overdependence. Proactive value addition and targeted diversification towards broader manufacturing to reduce risks of shocks and ensure sustainability;
- Using agriculture and the extractive sectors as the linchpin of structural transformation and an instrument of backward and forward integration of African economies;
- Acquire and adopt innovation and technological advances to improve productivity and be competitive in the international markets.
- Economic transformation requires alignment of educational curricula to labour market needs and skills development especially of the youth and women. This calls for paying special attention to sciences, technology and innovations. Providing vocational skills to unskilled youths and women is also vital;
- Integrating strong sustainable dimensions in the transformational agenda, including green economy and green growth strategies;
- Continuing to put greater emphasis on human capital development;
- Paying greater attention to ensuring spatial equalities and crafting and implementing sound urban development strategy;
- Ensuring conflict prevention and stability, in order to ensure sustainability and durability of the transformation process.

**20. *Using agriculture and the extractive sectors as the linchpin of economic transformation:***

African economic transformation depends on value retention, value creation and innovation. Agriculture is a major source of livelihoods for the majority of African poor and it still remains the core of the employment and income generation for most of the African economies. It is therefore imperative to pursue an agriculture-led industrial development as it provides much-needed capital. In this regard, increase in production and productivity by modernizing agriculture, providing access to agricultural inputs such as fertilizer, seeds and finance as well as extension services will be crucial. Managing post-harvest losses is also essential. The current situation where structural economic transformation is bypassing the manufacturing sector calls for an urgent policy consideration. A starting point, for the agricultural sector, as done by Ethiopia is to develop SMEs in urban centres and transform the rural economies through modernized agriculture. This would require training of youth in vocational entrepreneurial skills, provide working and policy space for the private sector and improving the business competitiveness, including addressing the cost of doing business in the continent such as electricity supply, security of life and property and protection of international property

rights should be a priority on the African agenda. Provision of guarantee schemes and partnerships could address some of the associated risks.

21. Exporting primary commodities without adding values to them is synonymous to transferring African jobs abroad. The implementation of local content policies in some countries as a strategy of promoting a strong linkage between the extractive sector and the rest of the economy is commendable. The continent should diversify its production base more towards manufacturing as it develops to create decent jobs and incomes. Botswana's effort in adding value to its diamond is also commendable. African countries should strengthen value addition to their agricultural and mineral resources to rekindle economic transformation and decent job generation.

22. ***Inclusive development is central to addressing poverty and inequality:*** As countries transformed, they also need to put in place measures to adequately manage the transition and especially counter the resulting special inequalities that are likely to occur. Active government policies that improve social service delivery, enhance agricultural sector productivity, minimize ethnic and gender inequalities, and strengthen social protection programmes are key to an inclusive growth and development. Some of these strategic actions include:

- **Prioritizing on infrastructure to unleash economic prosperity:** Bridging the huge infrastructural deficits (especially electricity, telecommunication, road and rail, irrigation, etc.) is central to growing the private sector and reducing the cost of doing business in Africa. Properly designed and prioritized spending on infrastructure can also play a redistributive role in reducing poverty and inequality in Africa.
- **Reducing African economies' vulnerability to external shocks and domestic conflicts,** encourage rational use of nonrenewable resources, and minimize social and environmental externalities.
- **Deepening decentralization and initiatives aimed at empowering sub-national jurisdictions** to deliver basic social services to their communities may be useful in addressing special inequalities.
- **Promoting gender equality** in labour markets through equal work for equal pay, increasing women's access to financial services, and deepening women's entrepreneurial skills.
- ***Enhancing access to quality health services and enhancing the resilience of the sector:*** This includes strengthening the institutional and human capacity, promoting

national health insurance schemes that promotes access to quality healthcare, scaling up public investment in health care delivery through enhanced budgetary allocations.

- **Improving quality of education:** During the MDGs era attention was focused on primary schools. However for developing skills for the 21<sup>st</sup> Century calls for quality education across all levels of education including vocational, secondary and tertiary. Enhancing the quality of primary education and the skill contents of secondary and tertiary education are vital to using education to address both poverty and inequality. Heavy investment in human capital accumulation and development is an imperative for Africa to contribute to inclusive development.
- **Accelerating land reforms:** Africa needs to focus on broader land reforms aimed at increased access to land, and sustainable management and rehabilitation of land capital. Access to land does not only reduce inequality but also increase agricultural productivity and prosperity of small-scale farmers. There is urgent need to invest heavily on land titling and registration in order to enhance economic potential of small-scale farmers.

23. **Getting reforms and macroeconomic policies right:** Sound macroeconomic policies, including fiscal, monetary, exchange rates and debt management policies, are crucial to accelerating inclusive growth that would finance African development. Effective utilization of revenues from natural resources calls for the adoption of fiscal rules and sovereign wealth funds aimed at ensuring stabilization and long term savings. Adoption of sound macroeconomic policies would help African countries endowed with natural resources to transform these resources into improved human development outcomes – using them as a catalyst to improve health, education and living standards for their populations. Review of existing extractive contracts in a way that is beneficial to African economies remains critical.

24. **Effective mobilization and efficient utilization of domestic resources is an imperative:** A priority for Africa should be to use development aid to scale up domestic resources mobilization. These could include, among others, strengthening customs, border posts, and the effective use of available domestic resources such as pension funds (\$620 billion), foreign reserves (over \$500 billion), bank deposits (\$80 billion) and remittances (over \$60 billion) for productive purposes. Another important area, especially in the context of Africa, is the mitigation and recovery of illicit financial flows (over \$60 billion during 2008-2010).

25. **Quality data is critical to the implementation and monitoring of the SDGs:** Data is vital in identifying solution-orientated approaches to measuring progress on the SDGs, strengthening the cross-sectoral and multi-scalar analysis of data for SDG monitoring, and

encouraging greater frequency and quality of data production are crucial. Strengthening statistical institutions to generate and disseminate quality data would thus be imperative for the region's development progress. To this end, promoting data revolution for the SDGs in Africa calls for a considerable, concerted and sustained investment in national statistical capacity, both technical and institutional, to increase the coverage, quality and frequency of data.

26. ***Rectifying the asymmetries in global governance systems:*** The global economic and governance architecture impedes African socio-economic transformation. These include protectionist policies and undue subsidies of certain agricultural products in developed countries, which drain the export potential of the least developed countries; activities of multinational companies that undermine African countries fiscal policies; and the inability of the global economic architecture to punish organizations involved in tax havens where substantial proportions of African resources (over US \$60 billion annually) leave the shore of the continent in the form of illegal transfers. These need to address these, among others, is urgently needed.

#### **Next steps**

27. The theme for the 2016 African Economic Conference should focus on one of the pertinent issues identified in this Outcome Document in order to provide deeper analytical and policy insights for the achievement of leaving no one behind by 2030.
28. The Outcome Document should be given wider dissemination as part of the Conference contributions to the rollout and implementation of the SDGs in Africa.