

UN-backed report stresses economic diversification for Africa's growth



Ibrahim Assane Mayaki, Chief Executive Officer of New Partnership for Africa's Development (NEPAD)

11 October 2010 – Diversifying African economies is key to reducing the continent's dependence on the sale of raw commodities and to sustained economic growth, as well as the development of such crucial sectors as telecommunications, agriculture and tourism, according to a United Nations-backed report unveiled today.

The study entitled "Economic Diversification in Africa: A Review of Selected Countries" prepared by the African Union (AU), the UN Office of the Special Advisor on Africa (**UN-OSAA**) and the Organisation for Economic Cooperation and Development (OECD), points out that global financial and economic crises exposed African economies' dependence on too few export commodities and one or two sectors.

"Such dependence makes many countries vulnerable to fluctuations in commodity prices, demand and extreme weather events such as droughts and floods," the authors of the report say.

The study looks at how African governments can diversify their economies. It begins by examining some of the major determinants of diversification and examines how the private sector plays a key role by being at the forefront of innovation, research and development and production.

It notes that good governance is required to create an enabling environment for investment and trade, to manage natural resources, and to set policies to develop strategic sectors.

"A regional approach to economic diversification is particularly important, especially given the small size of African economies, and the benefits of economies of scale from regional initiatives," according to the report.

New economic partnerships, including South-South cooperation and relations, offer Africa the opportunity to expand its economic options, the authors of the report conclude.

"Aid is no longer the main determinant of policy in the whole paradigm of interaction between governments and donors. The private sector, as well as civil society organizations, has a key role to play," said Ibrahim Assane Mayaki, the chief executive of the AU's National

Partnership for Africa's Development Coordination Agency, told reporters after the launch of the report at UN Headquarters in New York.

Infrastructure and human resources help to facilitate trade, productivity and innovation and are key drivers of diversification, the report states.

It also notes that one of the key challenges is how to overcome over-specialisation, where some countries have developed systems and know-how for one specific area of the economy, but find it difficult to transfer these to other sectors and activities.

Significant trade barriers also exist and African firms may not be able to compete against their peers in other parts of the world because of a lack of access to finance, administrative hurdles, weak productive capacities, and other impediments to competitiveness, the report points out.

Cheick Sidi Diarra, the UN Special Adviser on Africa, said countries on the continent could benefit from economic relationships with the emerging economies, such as China, India and Brazil, while maintaining links with its traditional partners as they seek ways to diversify their economies.

The report looks at the economies of five African countries to analyse their diversification profiles and strategies.

Relatively well-diversified South Africa faces constraints in its human resources and labour markets, while Kenya has made great strides in boosting certain sectors such as tourism and telecommunications.

The report described Tunisia as a "best pupil" example of successful diversification efforts, and notes that Angola, which depends on oil revenues to fuel growth, is also making strides towards diversification.

Benin, a country which is dependent on cotton, has a favourable policy environment and a record of good governance that could lead to private sector development and investments in other sectors, according to the report.

Meanwhile, three institutions – the UN Economic Commission for Africa (**ECA**), the African Development Bank (AfDB) and the African Union Commission – have established a Joint Secretariat to enhance coherence and cooperation to support the continent's development.

A statement issued today by the ECA said the Joint Secretariat would enhance knowledge sharing and foster stronger institutional and programme links between departments and divisions in the three institutions for the benefit of Africa.

The institutions agreed to collaborate on the basis of some key principles, including mutual respect and recognition of the mandates of the three institutions and their comparative advantages.

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