

WHAT ROLE AUSTRALIA CAN PLAY WITH REGARDS TO ENGAGING AFRICA

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Factors Affecting Africa's Growth and Development

- ❑ In 1970 there were 1.2 billion poor people in the developing world. 104 million were in Sub-Saharan Africa, 830 million in East Asia, 208 million in South Asia, 36 million in Latin America, and 27 million in the Middle East and North.
- ❑ Between 1970 and 2000, there was a tremendous reduction in the number of poor people in the developing world. This number fell from 1.2 billion in 1970 to 647 million in 2000.
- ❑ However, sub-Saharan Africa happens to be the only sub-region where there was an increase in the number of poor people during the period. With a head-count ratio of 54.8%, it also has the highest proportion of domestic population that is poor.

Factors Responsible for Poor Growth

- This is mainly attributable to the following factors:

Macro-economic Instability Trap

- Africa is characterised by lack of high and sustained economic growth which is a critical factor responsible for the Continent's inability to make significant progress in the fight against poverty.
- This is exacerbated by frequent policy reversals by many Governments.

Factors Responsible for Poor Growth

Political Instability and Poor Governance Trap

- Dangerous conflicts continue to get out of hand in various parts of Africa.

Factors Responsible for Poor Growth

The Resource Trap

- This demonstrates the typical African story of limited financial resources against huge natural resource endowments.
- Most African countries' development models are too dependent on raw commodities and agriculture and, hence, not progressive.
- Furthermore, some nations depend substantially on external funds for national recurrent expenditures and are particularly at risk if external donors decide to withdraw financial support.

Factors Responsible for Poor Growth

The Debt Trap

- Unsustainable debt and external arrears have eroded the credit worthiness of most African Countries.
- Given that 100% debt relief was not granted to all poor nations in Africa by the Group of 8, the debt burden continues to hamper development in most African States.

Factors Responsible for Poor Growth

The Leakage Trap

- Millions of dollars continue to be lost through corruption, arbitrage, and rent seeking activities in many countries in Africa.
- most Governments are using the State as a vehicle for accumulation, with whoever is in power abusing state resources, thus reducing fiscal space.

Factors Responsible for Poor Growth

The Human Resources Trap

- The ongoing human resource crisis in the health sector, engineering and professional services will continue unabated as experts leave the continent in droves.
- The combination of poor pay, poor working conditions, political instability as well as macro-economic instability continues to force many African professionals to leave the continent.
- In the case of Zimbabwe, the massive brain drain has resulted in more than 4 million Zimbabweans now residing in the diaspora.

Factors Responsible for Poor Growth

The Integration Trap

- This is arising out of the absence of common regional markets and the synergies and economies of scale that come with horizontal and vertical integration of small economies. As a result, African countries have lost out from regional and international groupings and initiatives.

Gender Trap

- The gender trap manifests itself in the relatively small numbers of women taking up influential positions in political and economic institutional set up such as Parliament, Ministerial posts and managerial posts in both the public and private sectors. This is notwithstanding that women constitute around 52% of the population.

What Needs to be Done

- There is, therefore, need for a second revolution in Africa which focuses on poverty, development and democracy, a view which is supported in Dambisa Moyo's book, *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*.

What Needs to Be Done

- There is also need to strengthen such institutions as the International Tribunals and Courts, in order to make leaders more accountable for their actions.

How Australia Can Re-engage With Zimbabwe

- ❑ The Government of Zimbabwe recently launched the Three Year Budget Macro-Economic Policy Framework (2010 – 2012)/STERP II, which is the successor to STERP I. (STERP – Short Term Emergency Recovery Programme)
- ❑ STERP I had financing requirements amounting to more than US\$8 billion, with US\$1 billion being immediately required in 2009 from cooperating partners as direct budgetary support to the productive sectors in the form of lines of credit.
- ❑ However, in 2009, support from the international community was not forthcoming, notwithstanding pledges from a number of countries.

How Australia Can Re-engage With Zimbabwe

- ❑ As contained in STERP II, an additional US\$45 billion is required to fund various development projects in all sectors of the economy over the three year period 2010 – 2012 in order to turn around the Zimbabwean Economy.
- ❑ Whilst the responsibility for funding these projects rests fully with the Government of Zimbabwe, acting alone will be counter-productive with delayed economic recovery.
- ❑ This is more so given the competing demands for Zimbabwe's fiscal revenues, which at 2010 projected levels of US\$1.4 billion, fall far below this requirement.

How Australia Can Re-engage With Zimbabwe

- ❑ In the 2010 Budget alone, there is an US\$810 million gap, which needs to be funded through pledges made by development partners in our Vote of Credit.
- ❑ Therefore, the Australian can play a major role in funding this gap.
- ❑ I am, therefore, calling upon the Government of Australia to take a leading role in Zimbabwe's recovery initiatives as well as those of other African countries rather than waiting for others.

Thank You!!!