



Dar Es Salaam Roundtable Workshop on Growth and Employment
Dar Es Salaam, Tanzania, 15 – 16 November 2006

Report on Roundtable Deliberations

Background

The Dar Es Salaam Roundtable on Growth and Employment was officially convened by the Tanzanian Secretariat of the Helsinki Process from 15-16 November, 2006. The final report of the Helsinki Group identified five main issues and themes for follow up. They are: poverty and development, global governance, human rights, environment and peace and security. After the first phase of the Helsinki Process, Finland and Tanzania invited twelve more countries to form the Group of Friends of the Helsinki Process that would help in implementing the recommendations from the first phase of the Process. These countries include: Algeria, Brazil, Canada, Egypt, Hungary, India, Malaysia, Mexico, Spain, South Africa, Thailand and the United Kingdom.

It is in this set up of the Group of Friends, that Brazil and Tanzania, agreed to facilitate the poverty and development roundtable. In this regard, Brazil hosted a roundtable workshop from 25-27 July 2006 in Rio de Janeiro to discuss innovative mechanisms for financing development. This was the first round of discussions under the theme of poverty and development. In the same vein, Tanzania on 15-16 November 2006, hosted the second roundtable workshop on growth and employment in Dar es Salaam. The main aim and objective being, to assess and propose policies that would yield positive growth that creates more jobs for the people. Employment generation is seen to be central and critical in poverty reduction efforts.

The Dar es Salaam workshop was attended by over 60 representatives from governments, academia, international and regional organisations, non-governmental organisations (NGOs) and business sector from different countries.

Report on First Day Deliberations

Opening Session:

The roundtable workshop was officially opened by Hon. Dr Asha-Rose Mtengeti Migiro, the Minister for Foreign Affairs of the United Republic of Tanzania, on behalf of the President of the United Republic of Tanzania, H.E. Jakaya M. Kikwete. In her opening statement, the Minister thanked the Secretariat of the Helsinki Process for organising the event, noting that it was timely to have the workshop held in Tanzania. She pointed out that, employment creation was top on the agenda of Tanzania's fourth phase Government under the leadership of H.E. Jakaya Mrisho Kikwete.

The Minister thanked all participants for sparing their time to come and convene in Dar es Salaam, in order to deliberate on the best ways to accelerate growth that will at the end create more jobs for our people.

The opening statement by the Minister of Foreign Affairs and International Cooperation was followed by a vote of thanks by Martin Khor, the Executive Director of the Third World Network. Mr Khor is also a member of the Helsinki Process Steering Group. He thanked Tanzania for hosting this extremely important workshop on growth and employment. Mr. Khor indicated that if countries had policies that would facilitate positive growth, there would be enough jobs generated for the people, especially the youth. This would very much assist in reducing poverty, particularly in the developing countries. He emphasised that what was needed is for countries to devise their own development strategies that are geared towards reducing poverty by creating employment.

After the vote of thanks, all participants proceeded to a group photograph with the Minister of Foreign Affairs and International Cooperation, Hon. Dr. Asha-Rose Migiro.

1. Growth and Employment in the Context of National Development Strategies

The first session of the day introduced the concept note for this roundtable on Growth and Employment which proposes that any discussion on employment generation should be made within the context of growth and development. The note was introduced by Joseph Semboja, National Coordinator of the Helsinki Process and Executive Director of REPOA who highlighted the need for coherency in national development agendas, support the twin goals of creating an enabling environment for growth and enhancing the provision of social services, the lack of which will lead to results which are unlikely to generate sustained growth and associated employment generation.

The concept note stressed that the 'first and most critical step is to define the agenda for growth and development, based on the country's strength, weaknesses and opportunities', including assessments of different economic sectors, and that the 'enabling environment' for growth in each sector should be placed within this locally driven agenda. Any discussion of employment should also be made within this concept of growth and any provision for social service provision for human resource development should be placed within the context of this locally set agenda for growth rather than in isolation or driven by external factors.

The discussion was supplemented by a report on the outcome document on governance reform measures and the Millennium Development Goals (MDGs) from the Helsinki

Process Roundtable on Poverty and Development held in Pretoria, South Africa in October presented by Michelle Pressend of the Institute of Global Dialogue, South Africa.

2. Reviewing Africa's Experience on Growth and Employment

The Roundtable followed with an exploration of Africa's experience with different strategies for growth and employment in postcolonial period. Speakers – Yash Tandon, Executive Director of the South Centre, economist and DAIMA, Tanzania Executive Director Sam Wangwe and South African parliamentarian Ben Turok – all highlighted the need to rethink current development models in the African region, particularly those espoused by the Washington Consensus model of economic policymaking advocated by international financial institutions, notably the World Bank and the IMF.

The discussion was primarily centred on the failure of structural adjustment programmes in countries across Africa in generating policies for economic growth, development and poverty reduction. Speakers pointed out the flawed legacy of structural adjustment and the impact of these economic restructurings on the capacity of the state in Africa to develop appropriate national development strategies for growth and employment.

Yash Tandon spoke of the need to engender not only an economic paradigm shift but also a psychological paradigm shift to defeat the economic orthodoxy dominating economic policymaking in the past two decades and to engineer locally based strategies for generating economic growth and social and economic development. Meanwhile, both Sam Wangwe and Ben Turok presented evidence of the impact of structural adjustment and external economic pressures, on countries in Africa. All three concluded that a large part of the problem has been the shrinkage of policy space as a result of these external economic constraints placed on countries in the region which constrains the ability of countries to generate locally relevant strategies for growth and employment.

3. Debt and Conditionality: The New Situation under Debt Cancellation and Opportunities for Expanding Policy Space

The sessions after lunch followed the morning session discussions by exploring the new opportunities afforded by the recent debt relief operations. The first session in the afternoon examined the impact of debt and conditionality on the policy space in indebted countries and the potential for expanded policy space as a result of recent developments at the global level on debt and development financing.

Fantu Cheru from the American University, Washington DC outlined the different modalities of conditionality and the debt relief operations under the enhanced Heavily Indebted Poor Countries (HIPC) initiative as well as the disjuncture between the new 'country owned', 'participatory' approach to development financing by the international financial institutions under the Poverty Reduction Strategy Paper (PRSP) framework and the economic policies found in financing programmes from the same institutions. Meanwhile, Celine Tan from the University of Warwick, UK highlighted the new opportunities for expanded policy space afforded by the recent Multilateral Debt Relief Initiative (MDRI) and the potential for countries to utilise the policy autonomy which accompanies the irrevocable and upfront cancellation of debt of a potential 40 countries, including many from the Africa

region.

4. Emerging Frameworks for Suitable Policies for Economic and Social Development

The potential of expanded policy space must be filled by appropriately designed policies to stimulate economic growth and engender social development. The following two sessions examined the potential for implementation of policies alternative to the economic paths currently espoused through the Washington Consensus mode of policy thinking and policymaking.

Martin Khor from the Third World Network called for the reconsideration of the policy framework driving current economic planning and the need to reinvigorate the role of the state in the economy. According to Khor, an appropriate policy framework must include the correct fit of macroeconomic policy, appropriate sectoral policies and the role of state regulation of economic sectors within an overarching strategy for growth and development. Giving an example of the East Asian experience, he stressed the importance of developing country-appropriate strategies to stimulate the local economy and sequenced integration with the external trade and financial architecture as well as on the importance of developing these within a longer-term economic master plan for each country, setting out detailed trajectories for growth and development.

Former UNCTAD chief economist Yilmaz Akyüz supplemented the discussion by highlighting the problems with existing approaches to macroeconomic policy in Africa and presenting an alternative scenario for generating growth and employment through appropriate macroeconomic policies. He discussed the problems stemming from the economic orthodoxy on fiscal and monetary policy under structural adjustment and stressed that the new policies being advocated by the international financial institutions – such as under the PRSP framework – do not correct existing flaws with the macroeconomic policy prescriptions but aims to supplement them by making structural and institutional reform, including reforming institutions to implement the policies. Akyüz also presented an alternative macroeconomic scenario for countries.

Meanwhile, discussant Timo Voipio from the Global Social Policy Institute in Finland looked at the interlinkages between current macroeconomic and structural policies and the impact on growth and employment with a focus on poverty reduction. He also highlighted aspects of the International Labour Organisation (ILO)'s employment strategies and 'decent work' programmes.

5. Macroeconomic Policy Oriented Towards Growth and Social Development

The final session of the day examined aspects of a macroeconomic policy framework that is oriented towards growth and social development with an investment policy oriented towards production and employment. Muhammed Muqtada from the ILO in Geneva and discussant Fantu Cheru kicked off a roundtable discussion on these issues through presentations of different macroeconomic and structural policies and problems with current thinking.

Again here, both speakers stressed on the policy constraints facing countries and the consequent need to expand the policy space and fill it with appropriate strategies for growth and development. Both called for a rethinking of the policies under structural adjustment which had left only economic stagnation in many countries in Africa and led to a problem of unemployment and lack of investment in public services. Muqtada stressed the need to develop a focused macroeconomic policy with targeted interventions to stimulate sectors of the economy and to design such policy so that it responds to both the economic and social needs of each country while Cheru called for strategic linking of domestic economic policies and of these policies with the external economy.

The Roundtable discussion was then adjourned until the next day and participants were invited to a dinner hosted by the Tanzanian president at the State House.

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Report on Second Day Deliberations

Discussions on the appropriate economic policies to generate growth and employment continued on the second day of the Roundtable.

1. Industrial and Sectoral (Agriculture/Services), Policies Oriented to Growth and Employment

Tanzanian trade minister Hon Basil Mramba joined the Roundtable on the second day to deliberate upon industrial and sectoral strategies for growth and employment. Specifically, Mramba focused on the challenges faced by small-scale industries in Tanzania, the sector in which provides a significant number of jobs for Tanzanians, including the lack of skills, markets and financing for small scale enterprises. According to Mramba, there is a need for the state to be involved in the active promotion and protection of small-scale industries, and in the regulation of the informal economy which is also a significant source of employment in Tanzania. He then highlighted that the capacity of the state to carry out such tasks have been circumscribed by conditionalities of the Bretton Woods institutions, namely policies of privatisation and trade liberalisation have led to the collapse of many small scale industries in Tanzania.

The discussants –Yash Tandon and Martin Khor –both picked up the threads of Mramba's discussion and considered the effect of external constraints on state capacity to develop their industrial and agricultural policies but more importantly, on the need to use existing policy space to develop nationally-based sectoral policies to generate growth and employment. Tandon, once again, pointed out the benefits of self-reliance and the fallacy of relying on foreign direct investment and facilitating 'global competitiveness' for economic development in Africa as this line of thinking would lead to policies which may lead to exploitation of resources by external sources.

Khor reiterated that the focus of the workshop has been on how to develop nationally-based policies to stimulate production so that the proceeds of production may be utilised for social development and that designing policies to facilitate this is not a question of ideology but one of pragmatism. He noted the need to examine the economic realities on the ground and building a strategy that will appropriately sequence a country's integration and interactions with the global economy and consequently, the importance of developing a national development strategy to link national production objectives and plans with foreign trade policies for the longer term achievement of economic growth and generation of employment.

2. International Framework Oriented to Support the National Policies

Following on from a day and a half of deliberations on national policy space and the reiterations of the importance of developing national development strategies to stimulate

economic growth and generate employment, the next two sessions of the day focused on developing a conducive international framework to support such domestic sectoral and national policies.

UNCTAD Special Coordinator for Africa Kamran Kousari presented the findings of studies conducted by UNCTAD focused on two critical aspects of the international financial architecture which have impacts on growth and employment strategies in Africa, notably on the role of aid and foreign direct investment in the region. On the question of aid, Kousari pointed out that two impediments to the effectiveness of aid flows to Africa have been the political economy of aid that has prioritised geo-strategic objectives of aid over development objectives and the workings of the international aid system which lacks coherence, is unpredictable and costly to manage. A diversification of aid and shift from bilateral to multilateral aid would assist in alleviating some of the worse deficiencies of the current aid system but Kousari also pointed out shifts in wider economic policy is necessary to create the necessary conditions for growth in Africa. This includes a rethinking of the management of foreign direct investment (FDI) in Africa and the corresponding facilitation of national policy space and investment in building state capacity to reverse the exigencies of structural adjustment and put Africa back on a viable growth path.

Kousari's presentation was supplemented by Martin Khor who emphasised the need for a strategy which links local production plans and national development priorities and then sketched out the three major international forces impinging the development of such strategies – the impact of World Bank and IMF conditionality, World Trade Organisation (WTO) rules and bilateral and regional trade agreements, such as the Economic Partnership Agreements (EPAs) between African countries and the European Union. Khor then highlighted potential opportunities in these different arenas to expand and/or defend policy space of developing countries, such as the space opened up by debt cancellation, the flexibilities afforded under the WTO and political mobilisation around the EPAs, and argued for collective challenges to these international pressures to subvert development in developing countries, especially in Africa.

3. International Framework and the Need for South-South and Regional Integration and Cooperation

The issue of cooperation was further explored in the second session exploring the international framework. Specifically, speakers focused on the opportunities for south-south and regional integration. Anthony Barclay from ECOWAS observed because of the tendency of the developed countries to 'divide and conquer' in trade and other negotiations with developing countries, there is a greater rationale for south-south cooperation and regional organisations as collective bargaining had a more positive impact for developing countries rather individual negotiations. In order to strengthen such cooperation, he argued for much more effective implementation of agreements agreed at such forums and for greater policy dialogue so that the benefits of globalisation may be realised by developing countries.

Picking up on the theme of regional integration, Yash Tandon, director of the South Centre, explained that the existing rationale and framework of regionalism must be challenged as the current model of regionalism reflected a shift from a regionalisation based on the principle

of geographical continuity and purpose of challenging hegemonic powers to a regionalisation which dispenses with geographical continuity and which are asymmetrical relationships of free trade agreements between a group of developing countries and a dominant state which fragment rather than unite countries. To move forward, Tandon argued that there was a need to move away from such new regionalism and restore the old model of regional cooperation.

4. The Way Forward

The penultimate session of the day convened a panel to examine means of moving forward on strategies to facilitate growth and employment and to meet the challenges discussed over the past two days. Sheku Sesay from the African Development Fund (AfDF), Anthony Barclay from ECOWAS, Muhammad Muqtada from the ILO, Enos Bukuku, Permanent Secretary of the Tanzanian Ministry of Planning, Economy and Empowerment and Ambassador G. Nene from South Africa all discussed various institutional and political initiatives to develop strategies to facilitate growth and employment in the African region and to learn from the lessons of other regions, such as East Asia.

While Sesay, Muqtada and Barclay explored the roles of international and regional organisations in assisting member states in designing and implementing appropriate policies for growth, Bukuku and Nene highlighted various domestic policies of Tanzania and South Africa and considered possibilities for operationalising these strategic proposals. There were also general discussions on generating a consensus from the participants on how to move forward.

5. Follow-up Activities

Over the two days, there were also discussions on possible follow-up activities after the Roundtable (as part of the Road Map). A proposal was made by Martin Khor that the issues raised at the Roundtable form the basis of a programme of dissemination of information to policymakers and civil society in countries in Africa and other developing countries.

Khor suggested three proposals for taking the agenda forward. Firstly, a proposal to establish a task force to study the production needs of services, agriculture and different industrial sectors of least developed countries (LDCs) and to examine possibilities for new development policies to generate growth and employment in these sectors. Secondly, there should be review of external factors influencing policies of the past, notably the impact of loan conditionalities and the expanded policy space resulting from the debt cancellation, as well as a review of trade agreements or proposals in trade agreements, including at the WTO and regional trade agreements so that the LDCs can take decisions in those forums which will not stifle their growth or development. Thirdly, a workshop or series of workshops for policymakers and civil society in those countries should be convened to discuss the issues raised at this Roundtable and disseminate the information to a wider audience.

The issues would include the expansion of policy space following debt relief, the policy options open to countries in relation to macroeconomic policy, sectoral policy (productions and social sectors) and structural and financing issues. This proposal was generally agreed to

during the Roundtable discussion. The Helsinki Process should consider this proposal as a follow-up to the Roundtable.