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Item 6 of the provisional agenda*

ECONOMIC COMMISSION FOR AFRICA
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Item 6 of the provisional agenda**

REPORT OF THE THIRD MEETING OF THE CONFERENCE OF AFRICAN MINISTERS OF FINANCE ON THE AFRICAN FRAMEWORK FOR STRUCTURAL ADJUSTMENT PROGRAMMES

* E/ ECA/TPCW. 10/1.
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A. ATTENDANCE AND ORGANIZATION OF WORK

1. Pursuant to the Economic Commission for Africa's Conference of Ministers resolution 541 (XX) of 29 April 1985 which formally established the Conference of African Ministers of Finance to deal with all issues relating to money and finance, the third session of the Conference of African Ministers of Finance was held in Blantyre, Malawi, from 6 to 8 March 1989. Previously, the Conference of African Ministers of Finance had met in Libreville in June 1986 to consider the establishment of the African Monetary Fund. The purpose of the Conference was threefold: to critically examine the premises of orthodox structural adjustment programmes and to consider a comprehensive alternative to such programmes; to consider the question of domestic and external resources management as well as external debt management; and to review the important issue of the establishment of an African Monetary Fund that would enable African countries to respond more effectively to adverse developments in international matters and financial relations.

2. The meeting of the Conference of African Ministers of Finance was attended by representatives of the following member States: Algeria, Burkina Faso, Burundi, Cameroon, the Central African Republic, the Congo, Djibouti, Egypt, Ethiopia, Guinea, Gabon, the Gambia, Lesotho, Malawi, Mali, Mauritania, Morocco, Nigeria, Rwanda, Senegal, Somalia, Togo, Uganda, the United Republic of Tanzania, Zaire, Zambia and Zimbabwe.

3. Representatives of the following institutions attended the meeting as observers: the International Monetary Fund (IMF), the Organization of African Unity (OAU) and the African Development Bank (ADB).

B. OPENING OF THE MEETING

4. On behalf of the outgoing bureau, the Minister of Finance of Zambia, Honourable Gibson Chigaga, welcomed the participants to the third meeting of the Conference of African Ministers of Finance and expressed profound gratitude to His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda, the Government and people of Malawi for their generous hospitality, and the excellent facilities for the Conference. The meeting had the very important task of assessing conventional structural adjustment programmes and coming up with alternative approaches.

5. In his statement, Professor Adobayo Adedeo, United Nations Under-Secretary-General and Executive Secretary of the Economic Commission for Africa, expressed appreciation to His Excellency the Life President of the Republic of Malawi, Ngwazi Dr. H. Kamuzu Banda, the Government and people of Malawi for hosting the Conference and for the warm welcome and hospitality extended to participants. The conference was historic in two ways. This
was the first time Africa was collectively undertaking a critical examination of the premises of conventional structural adjustment programmes (SAPs). It was also the first time that the region was attempting to come up with a coherent and comprehensive alternative that would lay new foundations for major reorientations of policy in the 1990s, in conformity with the tenets of the Lagos Plan of Action (LPA), Africa's Priority Programme for Economic Recovery, 1986-1990 (APPERS) and the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAAERD).

6. He outlined the reasons behind the efforts of ECA to undertake a major study aimed at critically examining the existing stabilization and structural adjustment programmes in Africa and at searching for the viable and effective alternative. As a result of this, ECA had come up with a proposed African Alternative for Structural Adjustment Programmes (AA-SAP). This alternative focused on the fundamental issues of human-centred self-sustaining development, greater democratization of the development process, greater accountability of policy-makers and public officials and acceleration of economic co-operation and integration. It also proposed new policy instruments and measures as well as implementation strategies.

7. The question was not whether to adjust or not but rather how to adjust and what structures to adjust. He drew the attention of the Conference to two other agenda items relating to domestic and external resources management, including external debt, and the establishment of an African Monetary Fund. The issues involved had to be considered in the context of the required changes in policy directions, instruments and measures for adjustment with transformation. He called on the international community to support AA-SAP, by showing a greater understanding of the nature of Africa's development problems and by providing greater financial assistance to sustain Africa's own policy reforms.

8. In his opening statement, the Honourable Minister of Trade, Industry and Tourism, Mr. Robson W. Chirwa, MP, welcomed the Ministers of Finance to Malawi on behalf of His Excellency the Life President, Ngwazi Dr. H. Kamuzu Banda, President of the Republic of Malawi, and expressed his gratitude to the Life President for appointing him to officially open the meeting on his behalf.

9. Since the early 1980s, a number of countries had embarked on structural adjustment programmes supported by the IMF, World Bank and other donors in order to address their socio-economic problems and enable them to achieve some recovery and sustained economic growth. However, after almost a decade of such programmes, the economies had not attained any real growth and financial equilibrium. Instead, the programmes had aggravated the hardships, particularly to the poor. Malawi had since 1981 implemented a series of structural
adjustment programmes with modest success. The lessons from experience were as follows: there was always a need for countries to constantly adjust to the changing international economic environment; Governments had to be fully committed to structural adjustment programmes; and, structural adjustment programmes should be seen as a learning process for everybody involved, including the international financial institutions.

10. Finally, he urged the Conference to adopt a realistic and pragmatic African approach to adjustment so as to identify the root causes of the continuing social and economic difficulties facing Africans and to suggest policy direction and measures that would lead to transformation with sustained growth and increased welfare for the people of Africa.

**Election of officers** (agenda item 2)

11. The Conference elected the following officers:

   - Chairman: Malawi
   - First Vice-Chairman: Morocco
   - Second Vice-Chairman: Ethiopia
   - Third Vice-Chairman: Central African Republic
   - Rapporteur: Senegal

**C. AGENDA**

**Adoption of the agenda and programme of work** (agenda item 3)

12. The Conference adopted the following agenda:

   1. Opening ceremony.
   2. Election of officers.
   3. Adoption of the agenda and programme of work.
   4. Consideration of the report of experts on:
      
      (a) An African Alternative for Structural Adjustment Programmes: A Framework for Transformation and Recovery;
      
      (b) Alternative systems of external resource management, including external debt; and
      
      (c) Progress towards the establishment of an African Monetary Fund.
   5. Date and venue of the fourth meeting of the Conference of African Ministers of Finance.
6. Any other business.

7. Adoption of the report and closure of the meeting.

D. ACCOUNT OF PROCEEDINGS

Consideration of the Report of Experts (agenda item 4)

13. The report of the meeting of the Intergovernmental Group of Experts on the African Framework for Structural Adjustment Programmes was introduced by the Chairman of the meeting. The meeting had reviewed the proposal for an African Alternative to Structural Adjustment Programmes; alternative systems of external resources management including external debts; and progress towards the establishment of an African Monetary Fund.

14. The meeting of the Intergovernmental Group of Experts had unanimously expressed appreciation for ECA's initiative and noted that (a) some African countries were already implementing some of the policy recommendations; (b) the performance of countries which had adopted structural adjustment programmes needed to be compared with that of those which had not; (c) there were likely to be some difficulties in trying to attain the objectives of the proposal especially as far as availability of resources was concerned; (d) the inclusion of "social action programmes" in conventional SAPs could improve them; (e) difficulties might arise with respect to the implementability, acceptability and fundability of the African alternative. The meeting had also sounded a note of warning with respect to limiting debt-servicing ratios to a fixed percentage of export earnings.

15. The discussions on the alternative systems of external resources management had focused on the issues of improving resource flows to Africa and enhancing the domestic utilisation of resources for economic development. On the issue of the establishment of an African Monetary Fund, the position of the meeting of the intergovernmental Group was that the decision to give the mandate to the Governors of African Central Banks to pursue the matter had to be left to the Ministers who, in the first instance, had established the Libreville Ministerial Ad Hoc Committee.

16. The Ministers expressed their sincere appreciation to the Life President of the Republic of Malawi, H.E. Ngwazi Dr. H. Kamuzu Banda, the Government and people of Malawi for the warm hospitality and excellent facilities that had been provided for the Conference.

17. The Ministers concluded that the document required further refinements supported by appropriate empirical research and they also noted that some of the proposals were already being implemented in some form or other in a number of African countries. Nonetheless, the proposals as a whole constituted an important departure from the conventional programmes and provided a useful
framework for bringing Africa's adjustment efforts in line with the track mapped out in Africa's programmes such as the LPA, APPER and the UN-PAAERD; they also provided a valuable basis for the design of national programmes and for negotiations with international financial institutions.

18. The Ministers also made useful comments and recommendations on specific policy instruments proposed in the document with particular reference to tables 5.1 and 5.2 and recommended that proposals in areas such as multiple exchange rates, subsidies, import controls, interest differentials, price controls and the informal sector needed more research and scrutiny.

19. Many African countries had undertaken SAPs due largely to financial difficulties and the need to obtain balance-of-payments support and additional inflows of foreign exchange. The African alternative framework had therefore to take cognizance of the need to guarantee continuous inflows of foreign exchange resources in the course of adjustment. The amount of resources required to sustain the process of adjustment was one of the main differences between AA-SAP and SAP. Compared to the short-term orientation and time-periods of SAP, the adjustment with transformation goal of AA-SAP might require more financing and funding.

20. It was felt that a lot more work might have to be done to make the framework generally acceptable and credible to the multilateral financial and development institutions and other donors. It was noted, however, that the crucial issue was for Africa to first assure itself that it had a feasible and workable alternative framework and to resolve to use that framework to design its new generation of adjustment programmes and carry out negotiations to secure assistance from its development partners. AA-SAP could provide a new basis for Africa in its dealings and negotiations with its development partners; it should not be a basis for confrontation or antagonism. Many of the policy directions and policy measures in AA-SAP, it was felt, had been designed to make development assistance and development programmes more effective and should, therefore, be recommended to all those interested in Africa's recovery and development, including both the IMF and the World Bank.

21. The Ministers stressed the need to harmonize SAPs, recalled the importance of subregional and regional integration as an important step towards the harmonization of structural adjustment programmes for African countries. In this regard, they stressed the need for holding more regular consultations on issues relating to structural adjustment programmes as well as other monetary and financial issues.

22. As a follow-up to the meeting of the Ministers of Finance, ECA should revise the document on AA-SAP to reflect the observations and comments in the report of the Conference. There should be a joint meeting of the Ministers of Finance and Planning to further deliberate on AA-SAP and approve it.
Thereafter, efforts must be made to inform the IMF, the World Bank, the African Group in New York and the international community at large about the contents and basic directions of AA-SAP and to ensure that the framework was translated into concrete programmes at the country level.

23. In reaction to the discussions and deliberations, the ECA Executive Secretary once again stated that the present document on AA-SAP was only the beginning of an evolving process, one innovative aspect of which was the addition of a regional dimension to adjustment. AA-SAP was not a programme of adjustment in itself. It was a framework for African countries to use as a basis for designing and holding negotiations on adjustment programmes. Measures such as multiple exchange rates, differential interest rates and subsidies, had to be used with caution; it did not necessarily mean that they could not be used at all or had not been successfully applied. Concerning the follow-up process, he confirmed that the Conference of African Ministers of Planning would take place in Addis Ababa from 6 April 1989 at which the revised version of the document on AA-SAP would be discussed. Thereafter, a joint meeting of African Ministers of Finance and Planning could be held on 10 April 1989 for joint adoption of the document. The document would then be channeled to the Development Committee through the Joint Meeting of African Governors of the IMF and the World Bank and to the Economic and Social Council as well as the Inter-agency Task Force on UN-PAAERD.

24. At the end of its deliberations, the Conference unanimously adopted "The Blantyre Statement of African Ministers of Finance on the Alternative Framework for Structural Adjustment Programmes". This is attached as annex I.

Alternative systems of external resources management, including external debt [agenda item 4 (b)]

25. On this agenda item the OAU representative briefed the Conference on the work of the Contact Group on Africa's External Debt Crisis which had been established in March 1988. Between March and May 1988, members of the Group had carried out a number of missions to developed countries to which African countries were indebted to seek support for the proposed International Conference on Africa's External Indebtedness.

26. The authorities contacted had indicated that they preferred the debt problems of African countries to be discussed at meetings of the London and Paris Clubs. They had also raised questions on the analysis and presentations in the African Common Position paper on external debt. He also briefed the Conference on the international seminar on the African Common Position on Africa's External Debt Crisis, scheduled to be held in Cairo, Egypt, from 28 to 30 August 1989. He urged all member States to send representatives to the seminar which was part of the preparatory process for the proposed International Conference on Africa's External Indebtedness.
27. The Conference drew attention to the proposals in the background paper on policy measures for resource mobilization and underscored the necessity to formulate taxation policies which were compatible with the promotion of production. It also emphasized the need to enhance the mobilization of private savings, which would in turn promote private investment. The Conference took note of the policy measures recommended on enhancement of mobilization of resources both for the public and private sectors.

Progress towards the establishment of an African Monetary Fund [agenda item 4 (c)]

28. In view of the difficulties in convening a meeting of the Libreville Committee which had in 1986 been assigned the responsibility of examining the modalities for speeding up the establishment of the African Monetary Fund, the Conference was requested to provide guidance on how the secretariat should now proceed in its endeavour to promote the establishment of the Fund. Three proposals were made by the secretariat, namely (a) dissolving the Committee of Libreville and transferring its responsibilities to African central bank governors; (b) dissolving the Committee and establishing a new one; and (c) increasing the membership of the Committee.

29. In the discussions that followed, it was observed that decision by the Heads of State and Government of the OAU to establish an African monetary Fund was final. Concern was therefore expressed on the reported opposition to the establishment of the Fund which had caused a long delay in its establishment. The representative of the African Development Bank (ADB) indicated that opposition to the establishment of the Fund could also have arisen from the omission of the feasibility study to provide for a number of options on the capital and management of the proposed Fund. He indicated that similar institutions had been established in other regions on a more modest scale than that proposed in the feasibility study for the African Monetary Fund.

30. Finally, the Conference decided to expand membership of the Committee for the establishment of the Fund to comprise both the "Libreville Bureau" and the "Blantyre Bureau". The new Committee would also be assisted in technical matters by governors of African central banks, as well as regional and subregional financial institutions. It was also recommended that any member country could volunteer to participate in the work of the Committee. The Conference adopted the resolution on the establishment of the African Monetary Fund which is attached as annex II.

Date and venue of the fourth meeting (agenda item 5)

31. The Conference adopted the recommendation of the Intergovernmental Group of Experts to hold the next meeting of the Conference of Ministers of Finance during the second half of October 1990 at a venue to be decided later.
Any other business (agenda item 6)

32. The Conference reiterated the concerns expressed by the Intergovernmental Group of Experts on the delays in the receipt of documents for the meeting by member States.

Adoption of the report and closure of the meeting (agenda item 7)

33. The Conference adopted its report on 8 March 1989, and was closed by the Honourable Minister of Finance, Mr. Louis J. Chimango, MP, of the Republic of Malawi.
THE BLANTYRE STATEMENT OF AFRICAN MINISTERS OF FINANCE
ON THE ALTERNATIVE FRAMEWORK FOR STRUCTURAL
ADJUSTMENT PROGRAMMES

1. The third meeting of the Conference of African Ministers of Finance convened in Blantyre, Malawi, from 6 to 8 March 1989 to review the proposed African Alternative to Structural Adjustment Programmes: A framework for transformation and recovery (AA-SAP).

2. The meeting, which was attended by Ministers of Finance and plenipotentiaries from 27 African countries as well as by representatives of multilateral financial and development institutions, was officially opened, on behalf of His Excellency the Life President of the Republic of Malawi, Ngwazi Dr. H. Kamuzu Banda, by the Honourable R.W. Chirwa, Minister of Trade, Industry and Tourism. It was also addressed by Professor Adebayo Adedeji, United Nations Under-Secretary-General and Executive Secretary of ECA.

3. The meeting considered at length the AA-SAP proposed by the ECA secretariat and benefitted from the work of the Intergovernmental Group of Experts which had met in Blantyre from 28 February to 5 March 1989 to discuss the same subject. The meeting unanimously commended ECA for having taken such a bold and long-awaited initiative.

4. The meeting generally concurred with the analysis of the structure of the African economy and of Africa's long-term development objectives as defined in the Lagos Plan of Action. It also took note of ECA's assessment of the shortcomings and weaknesses of the existing stabilization and structural adjustment programmes. It was recognized in particular that conventional structural adjustment programmes had failed to take into account the social dimension and global development objectives of Africa.

5. The meeting also found that the overall framework for adjustment with transformation was a sound approach to implementing Africa's development strategy. In fact, while the framework took care of adjustment concerns, it should simultaneously bring about structural transformation. The meeting unanimously agreed that such a framework would go a long way in assisting African countries to articulate their national programmes of adjustment with transformation and to serve as a basis for negotiations with multilateral and bilateral partners. It was therefore considered as an instrument for constructive dialogue with Africa's multilateral and bilateral partners and not one of confrontation. This was confirmed by the fact that although the approach was by and large innovative, it contained some policy instruments and measures that were already being implemented.

6. Notwithstanding the foregoing conclusions, the meeting recommended that ECA should refine the proposal to take into account the following points:

(a) Further refinement of the macro-economic framework of AA-SAP;
(b) Carrying out more indepth studies on the proposed policy instruments and measures such as multiple exchange rates, differential interest rates, selective subsidies and price controls and direct import controls;

(c) Elaborating further on the resource implications of the framework, especially external resources;

(d) Drawing up practical measures for strengthening links among African countries with respect to aspects relating to research, production, trade and finance within the framework of adjustment and transformation;

(e) Further elaboration of the policy instruments and measures to be avoided under AA-SAP.

7. The African Ministers of Finance stressed the need to initiate wide-ranging consultations on the African Alternative. In that regard they agreed on the following course of actions:

(a) A joint meeting of African Ministers of Finance and Ministers of Planning and Economic Development on 10 April 1989 for the joint approval of the revised African Alternative Framework for Structural Adjustment Programmes during the twenty-third meeting of the ECA Conference of Ministers from 6 to 10 April 1989;

(b) Once the document had been finalized and adopted, it should be submitted to the July 1989 meeting of the Working Group of the African Governors of the International Monetary Fund and the World Bank for inclusion in the memoranda to the Managing Director of the IMF and the President of the World Bank as well as the Joint Statement to the Annual Meetings;

(c) Similarly, AA-CAP should be submitted by the African Governors of the IMF and World Bank to the meetings of the Development Committee of the World Bank in September 1989. In that connection, the ECA Executive Secretary should, in collaboration with the Bureau of the Conference, make the appropriate contacts with the Managing Director of the IMF and the President of the World Bank and the African Group in New York; and

(d) Close consultation between ECA, the IMF and the World Bank with respect to the Framework.

8. The meeting further noted that the submission of AA-SAP by the ECA Conference of Ministers to the 1989 second regular session of the Economic and Social Council of the United Nations and subsequently to the forty-fourth session of the United Nations General Assembly would go a long way to focusing the attention of the international community on Africa's stand with respect to policies required for adjustment and transformation.

9. The meeting proposed that after the adoption of the document on 10 April 1989 by the joint meeting of African Ministers of Finance and Planning, the representative to the United Nations in New York, of the Chairman of the joint meeting should transmit the document to the Secretary-General of the
United Nations with a request to include the document as an item on the agenda of the forty-fourth session of the United Nations General Assembly and have it circulated as a General Assembly document.

10. The meeting expressed its deep gratitude to His Excellency the Life President of the Republic of Malawi, Ngwazi Dr. H. Kamuzu Banda, the Government and people of Malawi for providing African countries with this historic opportunity to meet in Malawi and exchange views and experiences on this issue which was crucial to the future economic development of the continent. The generous hospitality and the facilities provided contributed to a large extent to the successful conclusion of the deliberations.

Done at Blantyre, Malawi on 8 March 1989
RESOLUTION ON THE ESTABLISHMENT OF THE
AFRICAN MONETARY FUND

The Conference of African Ministers of Finance,

Recalling the decision of the Heads of State and Government of the Organization of African Unity as contained in the Lagos Plan of Action which was adopted in Lagos in April 1980, calling for the establishment of an African Monetary Fund,

Acknowledging the importance of such an institution in the transformation of the African economies,

Regretting the considerable delay in establishing the African Monetary Fund and the inability of the Ad Hoc Committee of Ministers (the Committee of Libreville) to meet since it was established in 1986,

Reaffirming its commitment to establish the African Monetary Fund,

1. Decides that the Committee of Libreville be reactivated and expanded to comprise Ministers of Finance of the following countries: Gabon, Sierra Leone, Tunisia, Uganda, Zambia, Malawi, Morocco, Ethiopia, the Central African Republic, Senegal, the governors of central banks, as well as executive heads of the Central Bank of West African States (BCEAO), the Central Bank of Central African States (BCEAC), the African Development Bank (ADB), the Organization of African Unity (OAU), the African Centre for Monetary Studies (ACMS);

2. Requests the Minister of Finance of the Peoples Democratic Republic of Ethiopia to serve as convener of this Committee with ECA as secretariat and co-ordinator;

3. Mandates the expanded Committee of Libreville to examine in great detail all the outstanding issues and take all necessary measures to ensure the speedy establishment of the African Monetary Fund;

4. Further requests the expanded Committee of Libreville to report its progress to the next Conference of African Ministers of Finance to be held in October 1990.