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ECONOMIC COMMISSION FOR AFRICA

REPORT OF THE FOURTH JOINT ECA/UNDP/AFRICAN
INTERGOVERNMENTAL ORGANIZATIONS (IGOs) AND UNITED NATIONS
SPECIALIZED AGENCIES MEETING

Addis Ababa, Ethiopia
28-30 March 1990

A. Introduction

1. The fourth ECA/UNDP/African Intergovernmental Organizations and United Nations Specialized Agencies meeting on the promotion of economic integration projects for African Economic Integration Entities and River and Lake Basin Development Organizations was held in Addis Ababa from 28 to 30 March 1990. The meeting was chaired by Mr. Gregoire Banyiyezako, Executive Secretary of the Kagera Basin Organization (KBO).

B. Attendance, opening, election of the Bureau, adoption of the agenda and organization of work

Attendance

2. The following Intergovernmental Organizations (IGOs) were represented at the meeting: African Development Bank (ADB), Organization of African Unity (OAU), Economic Community of West African States (ECOWAS), West African Economic Community (CEAO), Mano River Union (MRU), Economic Community of Central African States (ECCAS), West African Development Bank (ECCAD), Niger Basin Authority (NBA), Organization for the Development of the Senegal River (OMVS), Lake Chad Basin Commission (LCBC), Preferential Trade Area for Eastern and Southern African States (PTA), Kagera Basin Organization (KBO), Southern African Development Co-ordination Conference (SADCC), Economic Community of the Great Lakes countries (CEPGL), Banque de développement des Etats de l'Afrique Centrale (BDEAC) and East African Development Bank (EADB).

3. The following United Nations organizations and specialized agencies were also represented at the meeting: the Food and Agriculture Organization of the United Nations (FAO), International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO), International Telecommunication Union (ITU) and the International Labour Organisation (ILO).

Opening of the meeting (agenda item 1)

4. In his opening statement, the Executive Secretary of ECA warmly welcomed the Representatives of African Intergovernmental Organizations, UNDP and other United Nations specialized agencies. The Executive Secretary expressed satisfaction that most of the multisectoral projects had been successfully formulated in accordance with the guidelines provided by the second extraordinary session of the ECA Conference of Ministers. He also commended the co-operative attitude of IGOs, especially in the harmonization of their activities. As regarded the strengthening of subregional economic groupings, the Executive Secretary commended the common approach adopted in all subregions, whereby trade liberalization was no longer regarded by any of the economic groupings as the sole engine for economic integration. He urged that efforts must be made to seek

bilateral or multilateral assistance to supplement internal resources. He also mentioned that other ways of strengthening the economic groupings were for the IGOs to make use of opportunities offered by technical and economic co-operation among developing countries (TCDC/ECDC) and further harmonize and co-ordinate the activities of the economic groupings. He stressed that if subregional economic groupings were to succeed in fostering economic links, they must work closely with sectoral or multi-purpose organizations and financial institutions in their subregions and the African region as a whole. The financial institutions themselves had an indispensable contribution to make in improving the performance of economic groupings by (a) providing financial resources for basic studies and (b) assisting in identifying promoters of subregional projects.

C. Election of the Bureau (agenda item 2)

5. The meeting elected the following Bureau:

Chairman: Mr. Gregoire Banyiyezako (KBO)
Vice-Chairman: Mr. Abubakar B. Jauro, Executive Secretary of LCBC
Rapporteur: Mr. Sekou Maiga (CEAO)

D. Adoption of the agenda and organization of work (agenda item 3)

6. The following agenda was adopted:

1. Opening Ceremony
2. Election of the Bureau
3. Adoption of the agenda and organization of work
4. Implementation of projects of African economic integration organizations
5. Support of African financial institutions for economic integration projects
6. Consideration of the document on inter-subregional economic integration
7. Information on the African Economic Community
8. Information on the International Conference on Popular Participation in the Recovery and Development Process in Africa
9. Any other business
10. Adoption of the report and closing of the meeting

E. Implementation of projects of African economic integration organizations (agenda item 4)

7. A Representative of the ECA secretariat briefed the meeting on the multisectoral projects that had already been approved by UNDP. He stated that UNDP had approved an ECOWAS project worth \$US 3.4 million, an ECCAS project worth \$US 2.4 million and one for UDEAC worth \$US 2.6 million. The Steering Committees for those projects had already met and the recruitment of project co-ordinators was under way.
8. Other subregional groupings should participate in meetings of the Steering Committees as MRU and CEAO had done at the meeting of the Steering Committee for the ECOWAS project. This was important since, in many cases, some of the projects addressed the needs of other groupings in the same subregion.
9. Concerning the issue of TCDC activities in Africa, ECA pointed out that economic integration activities offered extensive areas of TCDC and that the results at the national level had not been satisfactory. Difficulties had been faced in promoting multinational enterprises in Africa. Assistance should be sought from industrialized developing countries such as Brazil and India, instead of solely depending on assistance from the developed countries of the North which usually proved to be more costly. For example, India had proved to be very successful in the field of agricultural research; a special case in point being the success with which the Green Revolution had been carried out. ECA concluded by informing the meeting that ECA, ADB and UNIDO had jointly established a South-South Partnership Promotion Centre in Abidjan.
10. The Representative of UNDP expressed serious reservations about the manner in which the Joint Meeting had been prepared by ECA, without any prior consultation with his organization regarding the agenda and dates for the meeting. He strongly disagreed with the document on TCDC and with the results of UNDP financed activities as given in the said ECA document. It was regrettable that ECA had not consulted UNDP and its TCDC unit before drafting the report.
11. Following ECA's report on the implementation of multisectoral projects, Representatives of IGOs made brief presentations on the status of project implementation within their respective organizations.
12. The Representative of PTA informed the meeting that projects within the Eastern and Southern African subregion had been formulated and implemented along sectoral lines. For example, PTA had submitted and secured financing worth \$US 10 million for project documents in four major sectors, namely trade, industry, agriculture and forestry, and transport and communications. Those projects were being implemented with the assistance of the specialized agencies. With regard to the Fifth Programming Cycle, the PTA Representative urged UNDP to undertake the project preparation exercise in good time.

13. The Representative of SADCC stated that his organization also formulated and implemented projects along sectoral lines. The organization had good working relationships with UNDP and the United Nations agencies.

14. African IGOs whose multisectoral projects had been approved by UNDP were ECOWAS, ECCAS and UDEAC. It was indicated that implementation of the ECOWAS project could begin shortly.

15. The Representative of CEFGL expressed concern about the status of his Community's projects with the donors (UNDP) and the executing agencies (ECA and FAO). He had had bilateral follow-up discussions with UNDP and FAO and had been given the assurance that those partner institutions were favourably disposed towards the components of the agricultural and transport sector subprojects which could be implemented during the Fourth Cycle.

16. IGOs of the West African subregion (CEAO, MRU and NEA) had in the past submitted projects for funding to UNDP. However, under the UNDP Fourth Programming Cycle, their projects had yet to be funded. The Representative of CEAO stated that his organization had good working relations with UNDP, UNCTAD, ITC, FAO and UNIDO and had been receiving continuous assistance from them. He expressed the wish that the sectoral projects presented by CEAO in the field of agriculture, transport and industry would be shortly finalized and approved by UNDP.

17. Participants were informed that MRU had attempted in vain to submit multisectoral projects in time for funding by UNDP during the Fourth Cycle. In his statement, the Representative of OMVS indicated that two of his organization's projects in particular warranted UNDP assistance. These were: (a) Study on river basin development experiences in Africa; and (b) Institutional support for continuous planning, monitoring and assessment of the integrated development of the Senegal river basin. The latter project was in fact a follow-up to a project funded earlier by UNDP and GTZ.

18. The Representative of LCBC outlined the three main projects that his organization had put forward for funding, namely:

(a) The water resources planning and management project which was presented and approved by UNDP and whose OPS is the implementing agency: the implementation of the project was to start in January 1990;

(b) The environment project: the Commission was assisted by UNEP and UNESCO to prepare a master plan for environmentally sound management of the Chad Basin. The project was expected to be ready for presentation to donors shortly;

(c) The underground water resources project, which is being handled by FAC, the French technical assistance body.

19. The LCBC Representative also stressed that his organization had been re-organized. Its functions currently focused on regional projects and co-ordination of national Projects. The implementation of projects was undertaken by member States.

20. The Representative of KBO informed the meeting that his organization was currently implementing a \$US 7 million tsetse-fly control project. The project was funded by UNDP, Belgium, Canada and the member States were providing assistance. A project on the establishment of data bases was also being implemented with the assistance of UNDP and PADIS.

21. The Representatives of the specialized agencies (FAO, UNCTAD and ITC) briefly outlined the situation of their respective agencies with respect to the implementation of UNDP-approved multisectoral projects for IGOs. They complained of not having sufficient information on the status of projects. The FAO Representative stated that it was their understanding that the agencies would be members of the Steering Committees, but FAO had only indirectly learned that the various Committees had been established and convoked. Clarification was, therefore, requested about when and by whom the decision had been made to change the composition and terms of reference of the Steering Committees. So far, FAO had not received any information on the role the agencies would play in project implementation. They expressed the hope that the meeting would establish clear lines of communication between ECA, as the executing agency, the IGOs, and the associated agencies.

22. Replying to the above-mentioned observations made by the Representatives of the agencies, a Representative of the ECA secretariat gave the dates on which information had been communicated to the various agencies concerned, following the signing of the project documents and also spelt out the procedures adopted for transmitting the Inter-agency Agreements for project execution.

23. The UNDP Representative briefed the meeting on current procedures being followed by his organization in considering approving and monitoring the implementation of projects funded by UNDP.

24. Specific issues were subsequently raised regarding the implementation of multisectoral projects. The FAO Representative requested the following information:

- When the project co-ordinators would be recruited;
- Was the recruitment of the sectoral experts contingent on the co-ordinators being in place or could they be recruited once the Inter-Agency Letters of Agreement had been cleared by all parties;

- What were the appropriate channels of communications: which unit in ECA was the focal point for contact with the associated agencies as the Field Programme Development Division was the official channel of communication for FAO;

Could further clarification be provided particularly by the IGOs, in order to enable the elaboration of activities and the drafting of the work programmes;

- Would the associated agencies participate in tripartite reviews and in the Steering Committees. FAO supported such participation;

- What follow-up activities were envisaged once the studies had been completed;

- What arrangements had been made to ensure close working relationships between staff and IGO counterpart staff;

- Finally, she stressed the importance of bilateral contacts between the IGOs and the associated agencies in order to discuss issues and problems in further depth.

25. Taking the floor, the Representative of UNCTAD asked about the modalities whereby IGOs would be consulted before the commencement of projects and whether appropriate financial provision had been made.

26. The Representative of PTA expressed the hope that concerned IGOs would participate in meetings of Steering Committees for projects initiated by the specialized agencies. He also expressed the concern of IGOs over the time it took for projects to be approved.

27. The Representative of LCRC was worried about the fact that the chief technical adviser for his organization's project, who had been expected since January, had still not reported for duty.

28. Replying to some of the issues raised, the Representative of UNDP explained that UNDP was doing its utmost to ensure the speedy recruitment of project co-ordinators. However, the main executing agencies had to handle the recruitment procedures with the dispatch required. The recruitment was, in fact, the sole responsibility of those agencies and not that of UNDP. A speedy solution needed to be found because the delays were causing concern in UNDP. With regard to the use of the funds allocated for the participation of the associated agencies, he felt that those funds should be used for that purpose. As to the participation of associated agencies in tripartite review and Steering Committee meetings, it was his feeling that the issue should be considered pragmatically with a view to preventing such mechanisms from becoming unnecessarily cumbersome. The presence and active participation of counterpart staff were essential because they guaranteed the continuation of study follow-up, such work should be done by financial institutions or private promoters.

29. A Representative of the ECA secretariat stated that the publicity required for the recruitment of co-ordinators had delayed their employment in the field. However, the co-ordinator for the ECOWAS project had been recruited while those of the ECCAS and UDEAC projects would soon be. In accordance with the decision of the Steering Committees, the recruitment of sectoral experts would be effected without delay. He gave the assurance that the reports of Steering Committee meetings would be provided to the associated agencies. Requests by the associated agencies for the financing of their project support missions would be considered most favourably. However, they should primarily use what they received as overheads for the purpose. Finally, UNDP assistance with follow-up activities would be complemented by other sources of bilateral or multilateral financing.

30. Taking the floor, another Representative of the ECA secretariat provided further information on communication channels. He drew a distinction between the daily management of subprojects and operational activities concerning those subprojects. TACOC was to be used for correspondence and other contacts which had nothing to do with daily management. Activities regarding daily management could be considered directly with the substantive divisions concerned.

Support of African financial institutions to economic integration projects
(agenda item 5)

31. Introducing this agenda item, the secretariat recalled that the subregional financial institutions had been created to extend financial support to the economic integration projects of the IGOs. In practice, however, it was deplorable that few working relationships existed between the two types of institutions.

32. It was of the utmost importance to establish working relationships between the financial institutions and the IGOs. In that regard, working groups might be set up within the financial institutions of each subregion to organize regular consultations between financial institutions themselves with a view to mobilizing domestic and external resources for the implementation of subregional and regional integration projects.

33. Following this presentation, the Representatives of ADB, BOAD, EADB and BDEAC made statements describing the work of their respective institutions, their policies, priorities, modalities of intervention and results achieved as well as difficulties encountered. Proposals were made with a view to finding solutions to difficulties encountered and strengthening co-operation between the IGOs and financial institutions. The following are summaries of the statements made.

1. African Development Bank (ADB)

34. The Representative of ADB recalled that his organization had been established in 1964 to finance development projects and programmes. The constitution of ADB accorded priority to economic integration projects and programmes in Africa. The ADB Group was made up of three institutions:

(a) The ADB itself which loaned funds at market rates and one-third of whose capital was constituted by non-African members;

(b) The African Development Fund created in 1972 as an interest-free lending arm of the Bank;

(c) The Nigeria Trust Fund set up in 1976 to assist the least developed countries in the continent.

35. The priority areas in which the ADB Group intervened were agriculture, transport and communications, energy and health. The loans of ADB went mainly to countries but also to institutions that complied with the conditions of the Bank. An example was the Southern African Development Co-ordination Conference (SADCC), whose structures were supported by its member States. Loans to subregional institutions had to be guaranteed by the member States.

36. The African Development Fund assisted countries with the preparation of feasibility studies. To that end, the countries were classified into three categories: Category A comprised the least developed countries; Category B comprised the middle-income countries and Category C comprised those countries whose economic and financial situation was considered satisfactory.

37. Resources available for conducting feasibility studies were mobilized as follows:

(a) Ten per cent of Fund resources were granted to Category A and B countries on a non-reimbursable basis;

(b) Bilateral resources granted by certain donor countries on a less restrictive basis and to which many IGOs could have access.

38. He ended by stating that ADB stood ready at any time to consider IGO requests. They should, therefore, not hesitate to contact the Bank for any project financing required.

39. The Representative of ADB then answered the questions and comments of participants.

40. To the question raised by the Representative of LCBC as to whether there was a limit to the amount of financing for feasibility studies, the Representative of ADB responded that his institution could accommodate projects depending on their nature.

41. With regard to feasibility studies financed by the Bank, he stated that in 80 to 85 per cent of cases, ADB participated in the investment of capital in resulting projects. In such cases, the financing of the feasibility study was converted into a grant.

42. Should the size of a project exceed the funding capacity of ADB, it undertook to promote the project with other financial institutions in order to secure co-financing.

43. The Representative of SADCC wished to know whether resource utilization capacity was the main criterion applied by ADB or if it had other criteria.

44. It was replied that loans were granted on a country basis and that, on the whole, those countries used their quotas, hence the need to negotiate with member States, particularly when it came to projects identified in the priority sectors of ADB.

45. The Representative of PTA explained how the need for putting together bankable project documents to be presented at any moment to funding agencies had led the PTA secretariat to undertake negotiations with ADB. The outcome of those negotiations had been the establishment, within the PTA secretariat, of a technical working group whose task was to assist PTA to prepare feasibility studies and bankable project documents.

46. ECA proposed that this type of structure, set up between ADB and PTA, should be extended to other IGOs.

47. A paper prepared by BOAD entitled: "La problématique de l'intégration économique en Afrique de l'Ouest : expériences, perspectives et proposition de la BOAD pour l'intensification de la coopération entre OIG ouest-africaines en matière d'intégration économique" was distributed to participants. The Representative of BOAD recalled that his institution had been established in 1973 by the seven countries members of the West African Monetary Union (UMOA) with the main objective of promoting the balanced development of the member States and contributing to the economic integration of West Africa. The Bank had become operational in 1976.

48. The operational activities carried out by BOAD towards the economic integration of the West African subregion related to:

- (a) Financing and conducting studies;
- (b) Promoting and financing projects.

2. West African Development Bank (BOAD)

49. Right from the start of its operations, BOAD had fielded work programming missions to all the member States. Those missions had, over time, become a yearly exercise to identify national and integration projects. Requests could be made to the Bank, by public or private promoters, to finance studies (feasibility or technical) or projects for which (feasibility studies have already been conducted).

50. Since embarking upon its operational activities, the Bank had invested CFAF 107.7 billion (total net commitments as of 31 December 1989) in 120 projects. Of them, 21 were integration projects costing CFAF 19.6 billion or 18 per cent of the total net commitments. The total net financing for studies as of 31 December 1989 stood at CFAF 3.6 billion for 106 studies, of which 45 were regional studies costing CFAF 1.9 billion or 51 per cent of the total.

51. In consideration of the lack of integration projects in the national development plans of member States, identified through the programming missions, the Bank had decided to initiate and to finance, out of its Study Fund and with the agreement of the national authorities concerned, general studies covering the timeliness and implementation of integration projects identified in several sectors and branches. Those studies highlighted the deficiencies in certain strategic sectors in the individual countries and enabled proposals to be made to the States in terms of soundly co-ordinated and integrated activities.

52. The Bank's efforts to promote the projects started as soon as studies on them were initiated. The competent parties as well as subregional IGOs likely to contribute to the promotion of resulting projects were associated with the various preparatory stages of studies. Despite the buoyancy of the markets, the relevance of the activities proposed and the various consultation meetings held throughout the period of the studies on and promotion of the projects, conflicts of interest persisted and prevented several integration activities from being implemented.

53. Such experiences seemed to indicate that the lack of a harmonized economic policy framework and a co-ordinated investment programme was a major restraint on the activities of financial institutions such as BOAD. The paper presented by BOAD outlined several examples of projects that had been affected in this way. Another difficulty lay in the failure to translate the political resolve of member States into the implementation of integration projects and to take subregional objectives into account in national development planning.

54. In an effort to help to overcome such obstacles, BOAD had conducted a study on the harmonization of the national development plans of UMOA countries, in co-operation with the Niamey-based MULPOC. The study, approved by the sixth conference of the Heads of State of UMOA in August 1988, proposed a common platform of action for co-ordinating national production system. The exercise was to begin with the establishment of national follow-up committees in the member countries. This first stage of implementation was under way and was expected to be completed shortly.

55. BOAD reckoned that economic integration was a long-term undertaking which required intensive and sustained co-operation among all the parties concerned. To that end:

- (a) The primary role of the economic communities should be to institute an integrated system of economic policy-making within an adequate time-frame, given the fact that they are better equipped than the development finance institutions to do so;
- (b) The States should take account of subregional objectives and integration strategies when formulating their economic policies;
- (c) The development finance institutions should concentrate primarily on putting together a portfolio of viable integration projects specifying how they are to be financed and implemented;
- (d) Along with these actions, it would be helpful, in the future, to further explore and ascertain the prospects offered by the private sector.

Finally, the economic co-operation, sectoral or financial IGOs should assist in harmonizing the economic policies of the countries, on the one hand, and strengthen co-operation among themselves, on the other, so as to ensure better co-ordination of their efforts for the greater efficacy of their respective missions.

56. Referring to the difficulties that BOAD had had in identifying promoters of integration projects, the Representative of ECA proposed that BOAD might work more with private business promoters and chambers of commerce.

57. The Representative of OMVS acknowledged that the lack of political will in implementing subregional projects constituted a pressing problem that had to be addressed realistically. Participants might reflect on the possibility of establishing criteria that could take account of the actual situation of the countries. Current criteria on financial profitability were very constraining, in some cases.

58. They might also think about forming consortia of African funding agencies that could effectively finance IGO projects as a counterpoint to similar groups elsewhere.

59. The Representative of PTA hailed the pioneering work done by BOAD. However, he wished to know how development finance institutions regarded domestic profitability rates, particularly as concerned the transport sector. He cited the example of TAZARA which the international institutions had refused to finance but which was currently functioning satisfactorily. He also stated that development finance institutions were pursuing the same objective of economic integration and should therefore not compete among themselves. If anything, they should complement each other and should accordingly evaluate their programmes in order to specialize in the work they did as institutions.

3. Economic Community of West Africa (CEAO)

60. The CEAO Representative stated that his organization had established a fund known as Fonds de solidarité et d'intervention pour le développement de la communauté (FOSIDEC) and singled out a few projects that had been financed with assistance from that fund in collaboration with other financing institutions.

61. He specified that despite the readiness of the financial institutions to co-operate, the execution of several West African subregional projects often suffered from the lack of national political will. Furthermore, the intervention modalities of the various institutions did not always allow for the joint financing of subregional projects. Finally, he submitted two draft recommendations to the meeting:

- (a) One was addressed to member States inviting them to support multinational projects effectively; and
- (b) The other to the financing institutions inviting them to adopt appropriate participation measures that matched the genuine needs of IGOs.

4. Development Bank of the Great Lakes Countries (BDEGL)

62. In the absence of the BDEGL Representative, the CEPGL Representative took the floor and stated that working relations between the CEPGL secretariat and BDEGL were very good. Both institutions often co-operated in their dealings with ADB as had been the case with the telecommunications interconnection project in the CEPGL countries.

63. He further stated that BDEGL was opened to other financial institutions and even third parties such as Belgium and other countries could, some day, meet the terms fixed by the Bank.

64. One of the major problems that BDEGL now faced related to the exchange risk which, if not satisfactorily solved, might in the long run, adversely affect many activities of the Bank. That problem which could not be attributed to the weakness of national economies alone, stemmed from the worsening terms of trade. The meeting should therefore make such proposals as would help all African States to solve the exchange risk problem from within and without.

5. East African Development Bank (EADB)

65. In his introduction, the EADB Representative stated that member States had decided to maintain the Bank after the dissolution of the East African Economic Community in 1977.

66. The initial objective was to correct the skewed industrial development within the Community and to promote complementarity. The Bank's new mandate was to promote balanced economic development among its members.

67. Priorities were set by the Board of Directors: 25 per cent of commitments went into integration projects.

68. Among the projects of economic integration EADB had financed were those in the transport and communications sector, particularly railways, postal services, posts and road transport.

69. In the industrial sector, the Bank had, in the past, identified some multilateral industrial projects in the areas of iron and steel, fertilizers, pulp and paper industry, etc., but then those projects had failed to take off. However, it was heartening to note that some of those projects had now been taken up by the PTA.

70. Finally, he listed the major difficulties that the financing institutions encountered in addition to those already mentioned by the other financing institutions, namely:

1. The inadequate capital released, which limited the mobilization of resources at the international level;
2. Competition among subregional financial institutions on money markets and the problems relating to intermediary financial institutions.

71. In conclusion, he expressed the hope that the financial institutions of the subregion would work in close co-operation with such IGOs as PTA, KBO and SADC.

6. Development Bank of Central African States (BDEAC)

72. The BDEAC Representative stated that his institution was established in 1975 and became operational in 1978. The priority sectors of UDEAC intervention were: agriculture and rural development, industry, profitable and basic infrastructures.

73. The intervention modalities comprised:

- (a) Project loans;
- (b) Advances for feasibility studies, study activities and implementation studies;
- (c) Surety (backing and guarantee funds);
- (d) Equity participation (funds for that purpose).

74. According to its articles of agreement, economic integration projects should account for 50 per cent of total BDEAC commitments. Currently, the share was below 10 per cent. The following two major constraints seemed to have been responsible for the slow progress in the promotion and execution of integration projects:

- Difficulty of identifying promoters of industrial integration projects;
- Disparity in economic policies, especially, the investment policies of member States.

75. However, it was underscored that BDEAC was following with particular interest UDEAC's promotion of projects for the manufacture of fertilizers and pharmaceuticals.

76. Finally, it was stated that UDEAC, IBRD and BDEAC had been approached to design a subregional structural adjustment programme in order to sharpen the focus on integration projects.

77. After this presentation, the ECCAS Representative expressed his satisfaction with participation of financial institutions in the meeting. He proposed that:

- (a) An association for Central African financial institutions should be established;

(b) Meetings should be organized among Central African financial institutions such as BDEAC and BDEGL, to be attended by ADB and integration organizations such as ECCAS, CEPGL and UDEAC.

78. The BDEAC Representative raised no objection to this proposal.

79. This presentation of financing institutions was followed by a general debate during which general remarks were made and specific issues raised. The financing institutions, particularly ADB and BOAD, tried to provide answers.

80. A member of the secretariat observed that the major problems faced by IGOs stemmed from the fact that they continued to work with defined mandates at a time when such mandates have been outlived by developments. He stated that such mandates did not consider transnational companies. With regard to financial resources, he also had some doubts as to whether some IGOs, particularly those that operated within the franc zone, pursued genuinely African policies.

81. The first part of this statement was supported by the LCBC Representative who insisted on the need to revise the rules and regulations of financing institutions so that they might be able to effectively assist integration IGOs, especially through the establishment of subvention mechanisms.

82. One participant recalled that the main objective of the Lagos Plan of Action was to speed up economic development so as to ensure the continent's self-sufficiency. But then he noted that Africa did not have an adequate production capacity and that African countries were facing serious foreign exchange problems.

83. With regard to the ECOWAS Fund, the ECOWAS Representative stated that the objective of creating development banks by States was to distribute equitably development costs and benefits. Unfortunately, member States were experiencing a difficult economic and financial situation exacerbated by the implementation of structural adjustment programmes. He wondered whether it was not advisable to undertake joint ventures with international institutions so as to mobilize resources.

84. The ITC Representative expressed his concern about the survival of some regional projects in which member States had invested substantially. He cited the example of the joint cement works (CIMA) project of Ghana, Côte d'Ivoire and Togo. ADB had contributed substantially to its financing. It was considered as a well-designed model project for the promotion of Africa's economic integration. Its financial viability and technical feasibility had been convincingly established and yet the project failed for reasons which, if known, could help prevent the same thing happening to other regional projects.

85. He stated that it was necessary to conduct an in-depth study on what had gone wrong in the CIMAO project in order to furnish the technical and commercial guidelines likely to be used to ensure the survival of similar projects. The Representative of the Mano River Union enquired about the project presented to the ADB by an IGO on behalf of its member States. ADB had financed only part of that project. He cited the example of the Freetown-Monrovia highway of which only a section had been executed.

86. In alluding to programming missions organized by BOAD, the ECCAS Representative wondered if it was not advisable for ADB to organize such missions in conjunction with other IGOs.

87. The ADB Representative tried to provide, globally, answers to these questions.

88. With regard to difficulties encountered by the ECOWAS Fund, he wondered whether it was expedient, within the current economic situation, to continue to set up institutions whose financial viability was not guaranteed. That also applied to the continental development bank that the OAU intended to establish within the future African Economic Community.

89. As concerned the regrettable situation of CIMAO, he stated that the member States had not demonstrated sufficient political will to ensure its survival.

90. In respect of the Freetown-Monrovia highway, the Bank had acted in accordance with its principles. What was more, when a country failed to honour its commitments vis-à-vis joint projects, all other partners suffered.

91. As regarded the organization of the programming missions proposed by the ECCAS Representative, he stated that ADB had set up subregional offices to be nearer the States and organizations. ECCAS was advised to contact the ADB Central African Office in Yaoundé which would transmit any queries from ECCAS to ADB Headquarters for consideration.

92. The meeting noted that it was relevant to raise the issue of exchange risk in Africa. Since current solutions consisted in providing exchange guarantees or an exchange risk guarantee fund, they should be examined in detail in order to make appropriate recommendations to national or international authorities and financial institutions. ECAS was called upon to propose the terms of reference of a study on the exchange risk problem and to survey the possibility of funding its realization within the best time-limit. The fifth consultative meeting should be informed, if not of the study's findings, at least of its state of progress.

The meeting noted that it was relevant to raise the issue of exchange risk in Africa. Since current solutions consisted in providing exchange guarantees or an exchange risk guarantee fund, they should be examined in detail in order to make appropriate recommendations to national or international authorities and financial institutions. ECAS was called upon to propose the terms of reference of a study on the exchange risk problem and to survey the possibility of funding its realization within the best time-limit. The fifth consultative meeting should be informed, if not of the study's findings, at least of its state of progress.

Conclusions and recommendations

93. In the ensuing discussions, the following major difficulties that integration IGOs and financial institutions encountered were identified:

- (a) Integration IGOs encountered problems in securing financing for integration projects at both the study and implementation levels;
- (b) Subregional financial institutions faced problems in mobilizing resources on world markets because of their low level of capital-formation;
- (c) Even when such resources existed, the institutions had difficulties in identifying bankable integration projects and promoters to guarantee their implementation;
- (d) Apart from West Africa, there were no working relations between IGOs and financing institutions, on the one hand, and among the various financing institutions, on the other.

94. Considering the foregoing, it was recommended that:

- (a) Associations of development finance institutions should be set up in the Central, Eastern and Southern African subregions along the lines of what existed in West Africa;
- (b) Working relations between integration IGOs and financing institutions in each subregion and among the various financing institutions should be institutionalized;
- (c) Efforts to increase commitment rates of regional projects pursuant to their set objectives should be intensified especially through:
 - (i) Greater appeal to private promoters and chambers of commerce;
 - (ii) Joint financing of integration projects.
- (d) Programming missions with IGOs should be planned with States in order to identify integration projects and ensure the gradual harmonization of policies and programmes;
- (e) Considering the low level of capital-formation, joint efforts should be made to mobilize funds on money markets; and
- (f) Finally, the major IGOs were requested to contact ADB in order to establish a technical unit for the preparation of studies and bankable project documents as had been done in PTA.

95. Commenting on the studies carried out in West Africa, the BOAD Representative stated that his organization, BCEAC and CEAO had undertaken or were undertaking additional studies on the mobilization of domestic savings, both in the rural and urban areas. He added that duplication of efforts was still possible among financial institutions even though each operated in areas that should be complementary.

Presentation and discussion of the document on subregional economic integration (agenda item 6)

96. In its introductory statement, the secretariat presented briefly the first two parts of the study ECA/FAO/90/2/4.3(ii) devoted to the African experience in economic co-operation and briefly took stock of that experience. It however pointed out an error based on mis-information: the trade liberalization scheme planned by SADC fell within the context of that adopted by PTA to which most of the members belonged. There was, therefore, no possibility of conflict between the two programmes. Dwelling further on the proposals for integration among subregions, the secretariat stated that they were preliminary thoughts which stood to gain from the insights of participants, both at the level of approach and of problems requiring priority attention.

97. Speaking first, the Representative of CEAO stated that while he agreed in principle with the proposals made, experience had proved that the global approach faced as many, if not more difficulties than the sectoral approach. In his view, certain sectors lent themselves more easily to agreement among partners than others in which the defence of national interests was more pronounced. Moreover, he felt that structural adjustment programmes ran counter to the planned development of economic space. Such programmes favoured the mere maintenance of existing infrastructure as the crisis did not allow for determinism. He added that the subregions were already opening up to one another albeit limitedly and unsystematically.

98. After listing errors of form in the annex of the English text, participants made substantive remarks. The Representative of ADB suggested that the advice given on the strategy should be toned down. He finally requested that the study should include a part devoted to the advent of the 1993 European single market, the lessons that Africa could learn from it and the attendant consequences.

99. In his turn, the Representative of SADC observed that his organization had been omitted in the section on African economic co-operation, although ECA had the necessary information. He added that all efforts at rapprochement among the subregions should start with an evaluation of the operational deficiencies and difficulties faced by the subregional economic groupings. In fact, ECA and CAU should assist in strengthening institutions they had helped to create in order to make them able to carry out their mission. The evaluation suggested above should follow individual contacts with each organization concerned.

100. After having noted that economic integration was not simple matter but needed a case-by-case study, the Representative of UNCTAD deplored the absence of statistics to back up or refute certain statements. He referred to a recent UNCTAD publication which revealed that trade liberalization had generally yielded good results in the 1970s but that the economic crisis of the 1980s had been one of the major causes of the drop in trade among partners within the various economic groupings. He added that information and trade promotion must be encouraged so as to boost trade. In conclusion, he highlighted the recommendations of the first meeting of Chief Executives of economic integration groupings held in Geneva in March 1989. In order to strengthen and give a fresh thrust to the economic integration process, the effort to liberalize trade must be accompanied by increased co-operation in production, monetary and financial trade support and involvement of economic operators, especially those of the private sector, in the preparation and implementation of economic co-operation programmes.

101. Surprised that only one sentence had been devoted to his organization, the Representative of the Mano River Union listed a number of MRU achievements including the glassworks which was already producing and the palm oil production project. He, in addition, underscored the need to seriously evaluate the existing groupings in order to ascertain how far they had attained their set objectives.

102. In his turn, the BOAD Representative stated that the dependence of African economies on the outside world which further linked them with those of former colonial masters, and the lack of trade complementarity among African countries, constituted an impediment to the development of intra-subregional trade. He also laid emphasis on the need to develop the community spirit which was, sometimes, lacking in Africa's public life. Furthermore, since the economic integration strategies of IGOs all aimed at economic integration they must be considered as and designed to be complementary, (depending on the relevant specific areas) rather than mutually exclusive. In another connection, he suggested that the proposals for bringing the subregions closer to each other should be based on a good knowledge of the IGOs involved. He further suggested that associations of IGOs and financial institutions should be encouraged between the two categories of organizations. Concluding, he stated that a work programme should be prepared in each subregion and should define the role assigned to each of the organizations concerned.

103. Taking the floor in turn, the representative of ECCAS deplored the incompleteness of the study and proposed that detailed monographs of the IGOs should be prepared based on the initial information that could be obtained from them. However, he approved the strategy proposed which, he added, was already being implemented in Central Africa where the IGOs had started to harmonize their activities. He finally proposed that, in addition to the meetings embracing UNDP, ECA and the United Nations specialized agencies, IGOs should hold meetings among themselves to discuss common problems.

104. The ITC representative stated that Africa had made great efforts to promote economic integration: subregional economic groupings had been established and funded, in many cases, by African financial institutions; substantive programmes had been initiated to promote integration. However, progress had been unbalanced and limited in certain cases. Problems had cropped up, for instance, with politically-motivated appointments in IGOs. With regard to trade development and promotion, ITC had developed techniques and instruments designed to do away with trading patterns established in the past to promote trade between Africa and the outside world. This had led to results that could be quantified in the case of the PTA project. A similar scheme had been launched for ECOWAS.

105. The UNDP representative then took the floor and stated that when financing certain economic integration projects, UNDP had wondered about their ultimate goal. While acknowledging that results did not always match hopes, he emphasized that the performance of economic integration IGOs should not be compared, as the study had done, to that of powerful organizations like the EEC but rather, in a more rational manner, to that of similar organizations in other regions of the third world.

106. A representative of the ECA secretariat stated that for the projects financed during the UNDP Fourth Programming Cycle, it had been expected that programmes for the integration of the major IGOs could be phased over a period of 15 to 20 years, with specific programming of activities during that period.

Information on the African Economic Community (agenda item 7).

107. Introducing this agenda item, the representative of the OAU specified that his statement had the sole aim of informing participants of the activities and other negotiations for the creation of the African Economic Community, being conducted by the Permanent Steering Committee of the OAU which had been assigned that task by the Assembly of Heads of State and Government of OAU. He traced the origin of this subject to the Final Act of Lagos adopted in April 1980 and to the wide dissemination of preliminary studies following which a colloquium had been held in Arusha in September 1985 to discuss the type of Community that best suited the needs and peculiarities of Africa. Since November 1988, the Permanent Steering Committee had devoted several sessions, both at the level of experts and of Ministers, to the issue. The latest version of the draft Treaty resulted from such activities to which the IGOs had been regularly invited. He then gave indications on the modalities for setting up the Community, namely the establishment in each region of a single entity responsible for co-ordination, and also on national seminars aimed at educating people about the project. He also stated that in a recommendation submitted to and approved by the fifty-first ordinary session of the OAU

Council of Ministers, the Permanent Steering Committee had advocated a single secretariat for the new organization which would result from the OAU's absorption of the future African Economic Community. The Permanent Steering Committee had consequently requested a joint secretariat comprising the OAU, ECA and ADB to undertake studies on the implications of such an absorption. Finally, he commented on the time-table for the final phase of negotiations.

108. A representative of the ECA secretariat stated that the initial task of the African Economic Community over a period of 23 years should be to ensure that subregional economic groupings were strengthened and their activities harmonized and co-ordinated. These groupings should constitute the basis of the Community.

109. The UNDP representative, on his part, said that relations between the Community and the subregional economic groupings were vital, and hence, it was important that they be involved in the negotiation process.

110. The PTA representative wondered whether the method adopted to set up the African Economic Community from the top downwards rather than from the bottom upwards (through the gradual integration of subregional organizations) was the best approach and whether it might not turn out to be counterproductive. In this respect, he observed that IGOs were to be contacted towards the end of the negotiating process whereas theirs was the primary role to be played in the process to set up the Community. He inquired whether any study had been conducted on the subject and had been proved this to be the best approach. He also questioned the soundness of consulting the people after the Treaty had been signed instead of waiting to incorporate possible insights from such a consultation into the draft Treaty. He then inquired what would happen if, having signed the Treaty without the protocols, certain countries did not sign the protocols of the Treaty. Finally, he suggested that a meeting of regional economic integration experts be convened on this issue before the draft Treaty was submitted for adoption.

111. ECA specified that the institution of the Community would be from the grassroots, since the Community would rely on the subregional economic groupings. The representative of the OAU then stated that the method adopted had been chosen by member States themselves.

112. The representative of CEAO deplored the fact that the relevant IGOs had not been fully involved in this important venture. He also regretted that the protocols, which were important instruments, were not ready and that the relations between the Community and the subregional economic groupings had not been properly defined. He then concluded by wishing that when ready, the instruments would be transmitted to the current Chairmen of the various groupings for their views.

113. The FAO representative stated that FAO fully supported the efforts of African countries to establish an African Economic Community. He recalled FAO's own past and current activities in support of African integration groupings that were striving to harmonize policies among member countries of IGOs. In the specific area of harmonizing policies, FAO had provided assistance to ECOWAS and CEEA. FAO assistance to the latter had led to the decision of UNDP to fund a larger project to help finalize cooperation programmes for fostering subregional integration. Moreover, FAO had contributed, through the Joint ECA/FAO Agriculture Division, to improving the draft Treaty of the African Economic Community.

Information on the International Conference on Popular Participation in the Recovery and Development Process in Africa (agenda item 8).

114. In presenting the document, the representative of the secretariat traced the origins of the conference which had been held in Arusha, from 12 to 16 February 1990. He then briefly presented the contents of the African Charter for Popular Participation in Development and Transformation which had resulted from the Arusha Conference. In doing so, he underscored the fact that the Charter, in referring to the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP), reaffirmed the disapproval of all economic programmes, such as the conventional structural adjustment programmes which disregarded the human aspect and the potential and role of popular participation in self-sustained development.

115. Another member of the ECA secretariat stated that the issue of popular participation did not but elicit a consensus.

Any other business (agenda item 9)

116. There was no discussion under this agenda item.