



UNITED NATIONS  
ECONOMIC AND SOCIAL COUNCIL  
ECONOMIC COMMISSION FOR AFRICA

*Forty-second session of the Economic Commission for Africa*



AFRICAN UNION  
COMMISSION

*Fourth session of CAMEF*

**Second Joint Annual Meetings of the African Union  
Conference of Ministers of Economy and Finance  
and the Economic Commission for Africa  
Conference of African Ministers of Finance, Planning  
and Economic Development**

Cairo, Arab Republic of Egypt  
6-7 June 2009



Distr.: GENERAL  
E/ECA/CM/42/6  
AU/CAMEF/MIN/Rpt(IV)

**Date: 7 June 2009**

**Original: English**

**Proceedings of the Second Joint Annual Meetings of the African  
Union Conference of Ministers of Economy and Finance  
and the  
Conference of African Ministers of Finance, Planning and  
Economic Development of the United Nations Economic  
Commission for Africa**



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## Acronyms

AAB	Arab African Business
AAI	Action Aid International
ACARTSOD	African Centre for Applied Research and Training in Social Development
ACMAD	African Centre for Meteorological Applications to Development
AfDB	African Development Bank
AfT	Aid for Trade
AMU	Arab Maghreb Union
APRM	African Peer Review Mechanism
ARIA	Assessing Regional Integration in Africa
AUC	African Union Commission
BEAC	Bank of Central African States
CAADP	Comprehensive Africa Agriculture Development Programme
CAMEF	Conference of African Ministers of Economy and Finance
CBO	Community-based organization
CEMAC	Central African Monetary and Economic Community
CEPGL	Economic Community of the Great Lakes Countries
ClimDev-Africa	Climate for Development in Africa
CODA	Coalition for Dialogue on Africa
CODIST	Committee on Development Information, Science and Technology
COE	Committee of Experts
COMAI	Conference of African Ministers of Integration
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
ERA	Economic Report of Africa
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FTA	Free Trade Area
GDP	Gross Domestic Product
G-20	Group of Twenty
ICE	Intergovernmental Committee of Experts
ICT	Information and Communication Technology
IDEP	Institute for Economic Development and Planning
IFAD	International Fund for Agricultural Development
IFI	International Financial Institutions
IGAD	Intergovernmental Authority on Development
ILO	International Labour Organization
IMF	International Monetary Fund
JEG	Joint Expert Group
JICA	Japan International Cooperation Agency
LAS	League of Arab States
LDC	Least Developed Country

LG	Learning Group
LLDC	Landlocked Developing Country
MDG	Millennium Development Goal
MIP	Minimum Integration Plan
MRDE	Mutual Review of Development Effectiveness
MTEF	Medium-term Expenditure Framework
NEPAD	New Partnership for Africa's Development
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OHRLLS	Office of the High Representative for Least Developed, Land Locked and Small Island Developing States
OSAA	Office of the Special Advisor on Africa
PF	Partnership Forum
PIDA	Programme for Infrastructure Development in Africa
PPB	Proposed Programme Budget
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
RBM	Results-based Management
RCM	Regional Consultation Meeting
REC	Regional Economic Community
SADC	Southern African Development Community
SDR	Special Drawing Right
SID	Small Island Developing State
SRO	ECA Subregional Office
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOHCHR	United Nations Office of the High Commissioner for Human Rights
UNTFAD	United Nations Trust Fund for African Development



## **A. Attendance**

1. The Second Joint Annual Meetings of the African Union Conference of Ministers of Economy and Finance and the ECA Conference of African Ministers of Finance, Planning and Economic Development was held in Cairo, Egypt from 2 to 7 June 2009. The Conference was formally opened by His Excellency Mr. Sufian Ahmed, Chairperson of the outgoing Bureau of the Conference and Honourable Minister of Finance of the Federal Democratic Republic of Ethiopia. Opening remarks were made by His Excellency Mr. Abdoulie Janneh, United Nations Under-Secretary-General and Executive Secretary of the Economic Commission for Africa (ECA) and His Excellency Dr. Jean Ping, Chairperson of the African Union Commission. A Statement was also made by His Excellency Dr. Youssef Butrous-Ghali, Minister of Finance of the Arab Republic of Egypt.

2. The meeting was attended by representatives of the following member States: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Republic of Congo, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

3. The following regional economic communities were also represented: Arab Maghreb Union (AMU), Economic Community of the Great Lakes Countries (CEPGL), Common Market for Eastern and Southern Africa (COMESA), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC).

4. The following United Nations bodies and specialized agencies were also represented: African Development Bank (AfDB), Food and Agriculture Organization of the United Nations (FAO), International Fund for Agricultural Development (IFAD), International Monetary Fund (IMF), Office of the High Representative for Least Developed, Land Locked and Small Island Developing States (OHRLLS), Office of the Special Advisor on Africa (OSAA), Joint United Nations Programme on HIV/AIDS (UNAIDS), Regional Commissions New York Office (RCNYO), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF), United Nations Industrial Development Organization (UNIDO), United Nations Office at Geneva (UNOG), United Nations Office of the High Commissioner for Human Rights (UNOHCHR), the World Bank, and World Food Programme (WFP).

5. Observers from the following member States of the United Nations were present: Canada, Denmark, Finland, France, Japan, Germany, India, and Indonesia.

6. Observers were present from the following organizations: Arab African Business (AAB), Action Aid International (AAI), African Centre for Applied Research and Training in Social Development (ACARTSOD), African Centre for Meteorological Applications to

Development (ACMAD), African Partnership Forum (APF), African Monitor, Bank of Central African States (BEAC), European Union (EU), Japan International Cooperation Agency (JICA), League of Arab States (LAS), New Partnership for Africa's Development (NEPAD) Secretariat, Organization for Economic Cooperation and Development (OECD), and the United States Mission to the African Union.

## **B. Opening of the Conference**

7. In his opening remarks, the Chairperson of the outgoing Bureau of the Conference and Honourable Minister of Finance of the Federal Democratic Republic of Ethiopia, Mr. Sufian Ahmed, thanked the Conference for the trust placed in him during his tenure and commended his colleagues on the Bureau for their cooperation. He also thanked the Government and people of the Arab Republic of Egypt for hosting the Conference, and the warm welcome extended to all delegations attending the Conference. Noting that the Conference was taking place during the most severe global financial and economic crisis in a generation, Mr. Sufian said the impact of the crisis on Africa would be very serious as it turns into a human and development crisis. The priority for African countries therefore was to contain the adverse impact of the crisis on growth and poverty, while preserving the hard-won gains of recent years, including macroeconomic stability.

8. The Honourable Minister noted that the theme of the Conference was particularly timely and relevant as most African countries were experiencing a drop in available finances from such sources as remittances, export and commodity demand, aid, and capital flows. The Conference would provide an opportunity to examine alternative sources of development finance, including improving macroeconomic policies, strengthening tax systems, and improving public expenditure management. The outcomes of the Conference would contribute to the upcoming high-level meeting of the General Assembly on the global financial and economic crisis and the next G-20 Summit.

9. Mr. Sufian indicated that a substantial part of the development financing gap in African countries should ideally be closed through an increase in domestic savings. However, this was not possible in many countries due to a low income base and an underdeveloped financial sector, which made it difficult to mobilize domestic savings effectively. In this regard, the Minister noted that Official Development Assistance (ODA) would continue to remain important in the mix of options for financing development in Africa, and called for pledges already made to significantly increase aid flows to Africa to be urgently met. He further noted that the international financial institutions (IFIs) had a crucial role to play in providing more, better and faster financing to help protect investments in health and education, in stimulating African economies and in creating jobs through infrastructure and trade finance.

10. In his opening remarks, Mr. Abdou Jannet, United Nations Under-Secretary-General and Executive Secretary of ECA, welcomed all participants to the Conference and thanked the Government and people of the Arab Republic of Egypt for their generosity in hosting the Conference. He also commended the Chairperson of the outgoing Bureau, and Minister of Finance of the Federal Democratic Republic of Ethiopia, Mr. Sufian Ahmed for the credible leadership he provided during his tenure.

11. Mr. Jannet noted that although the global financial and economic crisis was not of Africa's making, its impacts were being felt across the continent. The remarkable gains



achieved over the past decade were now under threat and there was a real risk that millions would be thrown back into poverty (in addition to the over 100 million additional people impoverished globally by the food and fuel crisis last year) and political stability could even be endangered in some countries.

12. Mr. Janneh highlighted four key areas where concerted action was needed on the basis of shared responsibility by Africa and its development partners to mitigate the adverse impact of the crisis and ensure that the continent contributed to global recovery efforts and sustainable development. First, there was a need for immediate measures to preserve Africa's recent gains in economic and social development, including social measures to protect the poor and vulnerable. Second, domestic policy options for responding to the crisis should be explored, including the use of fiscal space to support growth and other long-term objectives such as economic diversification and competitiveness. Third, the need to translate commitments, including those made at the recent London Summit of the G-20, into concerted action and additional resources, including going beyond existing commitments to help Africa meet its increased financing needs. Fourth, the need to accelerate reforms of the international financial architecture, including the governance of IFIs, to amplify Africa's voice and representation in these processes.

13. He concluded that the Ministerial Statement to be adopted at the end of the meeting would convey Africa's views, concerns and perspectives to the forthcoming G-8 meeting in Italy as well as to the next G-20 Summit.

14. In his opening remarks, Dr. Jean Ping, Chairperson of the African Union Commission (AUC), welcomed participants to the meeting and thanked the people and Government of the Arab Republic of Egypt for their warm hospitality and generosity in hosting the Conference. Dr. Ping noted that the theme of the Conference provided another important opportunity for African countries to contribute to ongoing efforts and initiatives to find solutions to the crisis. He highlighted other initiatives taken earlier by the continent to respond to the crisis, including the Conference of Ministers of Finance and Central Bank Governors, jointly organized by AUC, ECA and the African Development Bank (AfDB) in Tunis in November 2008; the creation of the Committee of Ten (C10), and Africa's participation in the London G-20 summit. These meetings have underscored the need for Africa to adopt a common position and speak with one voice in responding to the crisis.

15. The Chairperson of AUC noted with concern that Africa had gone through three crises within the last 18 months - an energy crisis, a food crisis and a financial crisis, which had hampered ongoing efforts to intensify and diversify agricultural production, improve food security, and maintain macroeconomic stability.

16. Dr. Ping said that the current global and financial crisis demonstrated the failure of the *Washington Consensus* and that of market fundamentalism. He noted that the use of fiscal policy as a tool to counter the effects of the crisis on Africa was consistent with the dominant approach and strategy of the developed countries in introducing stimulus measures to support growth and deal with the crisis. He further noted that Africa would require additional assistance from her development partners to weather the crisis and keep the Millennium Development Goals (MDGs) within sight. In this regard, he called on the developed countries to meet their commitments in terms of aid and debt relief and ameliorate conditions for access to ODA.

17. In his opening statement, the Honourable Minister of Finance of the Arab Republic of Egypt, Dr. Youssef Boutros-Ghali, welcomed all the participants to the Conference on behalf of the Government. The Minister noted that the increased attention being given to Africa by the international community in recent years was a good development, which the continent should capitalize on. He further noted that the consistently high growth rates of over 5 per cent in recent years was an opportunity for the continent to establish itself as a major actor in the world. The Minister, however, noted with concern that the current global financial and economic crisis was already having a severe impact on growth and poverty reduction in Africa due to shrinking revenues, dwindling reserves and reduced access to financing.

18. He expressed his firm belief that through sound fiscal and economic policies, the continent would withstand the impact of the financial and economic crisis. Despite the painful effects of the economic slowdown, the Minister indicated that the crisis provided a remarkable opportunity for African countries to fast-track growth and come out stronger from the difficult situation.

19. The Minister noted that overcoming the impact of the crisis would require clear vision and collective action, which were the ultimate objectives of the Conference. He called for significant additional concessional financing for African countries and welcomed the recent decision of the International Monetary Fund (IMF) to double its concessional lending capacity to African countries and revise its lending instruments to make them more flexible and responsive to the financing needs of African countries. He also underlined the need for African countries to continue to give priority to strengthening social safety nets and maintaining infrastructure spending, even at the cost of higher budget deficits and an increased domestic debt burden.

20. The introductory remarks by the Minister set the scene for the Conference proceedings.

### **C. Election of the Bureau**

21. The following member States were unanimously elected by the Conference to form the new Bureau:

Chairperson:	Arab Republic of Egypt
First Vice-Chairperson:	Chad
Second Vice-Chairperson:	Zimbabwe
Third Vice-Chairperson:	Benin
Rapporteur:	Kenya

**D. Adoption of the agenda and election of the Bureau**

22. The Conference adopted the following agenda:

1. Opening of the Conference
2. Election of the Bureau
3. Adoption of the draft agenda and programme of work
4. Ministerial policy debate on the theme: *Enhancing the effectiveness of fiscal policy for domestic resource mobilization*
  - Implications of the global financial and economic crisis for Africa's long-term development
  - Fiscal policy and domestic resource mobilization: Africa's policy options
5. Launching of the Economic Report on Africa, 2009 (Brief remarks followed by a press conference by the Chairperson of AUC and the Executive Secretary of ECA on ERA 2009 and other topical issues)
6. Consideration of the report and major recommendations of the meeting of the Committee of Experts of the Joint Annual Meetings of the AU Conference of Ministers of Economy and Finance and the ECA Conference of Ministers of Finance, Planning and Economic Development
7. Any other business
8. Consideration and adoption of the draft Ministerial Statement and draft resolutions
9. Closing of the Conference

**E. Account of proceedings**

**Ministerial policy debate on the theme: *Enhancing the effectiveness of fiscal policy for domestic resource mobilization* (Agenda item 4)**

23. Under this agenda item, two high-level panel discussions were organized to address key issues related to the theme of the Conference. The first panel examined the implications of the global financial and economic crisis for Africa's long-term development; and the second panel addressed the theme, *Fiscal policy and domestic resource mobilization: Africa's policy options*. The discussion on the theme of the Conference was placed in the context of the current global financial and economic crisis in order to reach consensus on Africa's collective response to the crisis. The panel discussions were moderated by His Excellency, Dr. Youssef Boutros-Ghali, Minister of Finance, Arab Republic of Egypt.

24. In his brief introductory statement, His Excellency, Dr. Youssef Boutros-Ghali, Minister of Finance, Arab Republic of Egypt said that the world financial and economic crisis provided an opportunity for African countries to reconsider their growth strategies and adopt appropriate macroeconomic and fiscal policy frameworks to enhance domestic resource mobilization for productive investment and financing development. This would also improve the resilience of African countries against future shocks. The right mix of national, regional and global responses would be needed to combat the crisis as well as prevent and control the impacts of crisis in the future.

25. Concerned that Africa may not benefit from the additional resources pledged at the London Summit of the G-20 because of the non-concessional nature of those resources, the Minister called for substantial increases in compensatory financing, official development and ODA to African countries to enhance their scope for counter-cyclical responses and allow them to avoid having to cut necessary public expenditures in these difficult times. The additional resources could still be channelled through existing mechanisms and institutions such as the IMF and AfDB, with adequate oversight to ensure that the allocation of these resources would not be subject to pro-cyclical policy conditionality.

26. In addition, urgent coordinated action by African countries would be required to overcome the impact of the current financial and economic crisis. In particular, African countries should remain engaged and contribute to ongoing efforts to restructure the global financial architecture to ensure a more equitable and stable global financial system. In this regard, the Minister informed the Conference that South Africa and Egypt had been tasked with making recommendations on behalf of Africa on the reform of the governance structure of the IMF, following the April-2009 G-20 Summit.

27. The Minister's introductory remarks set the scene for the two issue-specific panel sessions that followed.

***Session 1: Panel discussion on the implications of the global financial and economic crisis for Africa's long term development***

28. This panel discussion addressed various dimensions of the impact of the global financial and economic crisis on Africa's long-term development, including recommendations on what Africa and its development partners could do to mitigate the impact of the crisis. The discussions focused on the following themes: Africa and the global financial crisis: challenges and opportunities; the implications of the global financial and economic crisis for trade and investment in Africa: long-term perspectives; economic and social dimensions of the crisis, including the UN response; addressing the impact of the crisis on food security, agriculture and sustainable development; and additional compensatory measures and development financing for African countries: implications of the "Group of 20" April 2009 Declaration for Africa, including the role of the IMF and the African Development Bank.

29. The discussion on these topics was led by a high level panel composed of Mr. Maxwell Mkwezalamba, Commissioner for Economic Affairs, African Union Commission; Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD; Mr. Jomo Kwame Sundaram, Assistant Secretary-General, UN Department of Economic and Social Affairs (UN-DESA); Mr. Kanayo Nwanze, President, International Fund for Agricultural Development (IFAD); and Dr. Leonce Ndikumana, Research Director, AfDB.

*Africa and the global economic crisis: Challenges and opportunities*

30. Dr. Maxwell Mkwezalamba, AU Commissioner for Economic Affairs, said that the financial crisis came at a time when Africa had been recording significant progress in economic growth as a result of the macroeconomic reforms undertaken in recent years by most African countries. However, these gains could be eroded by the impact of the current financial and economic crisis. The crisis was already affecting African countries through a reduction in trade flows, foreign direct investment (FDI), capital flows, ODA and remittances, including weakening of current account and fiscal positions. In addition, Africa's growth was projected to fall to around 2 per cent in 2009, from an average of 5.5 per cent in 2008, which is significantly lower than the 7 per cent annual growth rate required for the attainment of the MDGs.

31. The Commissioner underscored the need for effective policy responses to comprehensively address the crisis, with particular emphasis on measures to maintain macroeconomic stability; cushion the effects of the crisis on the poor and vulnerable; speed up progress towards the MDGs and long-term development; recapitalization of capital markets; and strengthening of financial sector regulation. Africa's responses to the crisis also needed to be coordinated to ensure that its concerns and needs were taken into account in the current efforts to improve global economic governance mechanisms. In addition, African countries should take this opportunity to reinforce regional economic integration, enhance infrastructure development, and carry out economic diversification, including deepening financial sector reforms to increase domestic resource mobilization.

*Implications of the global financial and economic crisis for trade and investment in Africa: long-term perspectives*

32. Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD, highlighted some of the challenges faced by developing countries, including Africa in mitigating the impact of the global financial crisis. He explained that African countries, while being hit through the combined effects of lower international trade, drastic cuts in FDI, and rapidly falling migrant remittances, were seldom in a position to undertake counter-cyclical fiscal policies due to a lack of fiscal space. Developed countries should take into account the financing needs of low income and vulnerable countries in formulating their recovery strategies to allow them sufficient space for counter-cyclical policy measures and promote more equitable and stable growth in the world.

33. Despite the fact that developing countries required external support to meet the challenges posed by the impact of the crisis, their access to financial assistance, especially for investment and foreign trade, remained constrained by stringent conditionality. In this regard, it was important to spell out more clearly the conditions and modalities for African countries to access the additional resources pledged at the London Summit of the G-20. Meanwhile, IFIs such as AfDB should be strengthened and recapitalized to enable it to have adequate resources to mitigate the impact of the global financial and economic crisis on African economies. Further, Mr. Panitchpakdi reiterated the call by Dr. Boutros -Ghali that the allocation of new SDRs by IMF should be based on the financing needs of member States rather than the size of their economies or quotas. He called on African countries to ensure their full participation in

ongoing efforts to improve global economic governance and at the same time double their efforts to mobilize domestic resources.

*Economic and social dimensions of the crisis, including the UN response*

34. Mr. Jomo Kwame Sundaram, Assistant Secretary-General of the UN Department of Economic and Social Affairs (UN DESA) highlighted the economic and social dimensions of the crisis. He said that the United Nations system had warned of the crisis long before it occurred. Unsustainable global imbalances and growth patterns as well as an international financial architecture characterized by inadequate and inappropriate regulation were the main causes of the crisis and most developing countries were merely innocent victims. The crisis had led to a significant reversal in capital flows and the prospects for improvement were uncertain. The recession had spread from developed countries to transition and developing countries and he was expecting that GDP growth rates in Africa in 2009 would fall below the population growth rate. Africa was also facing a fall in metal and mineral prices and a contraction in export earnings in 2009, in addition to shrinking aid flows and a reversal in FDI inflows.

35. On the social dimensions of the crisis, the Assistant Secretary-General highlighted, in particular the impact on employment and poverty. He cited recent International Labour Organization (ILO) estimates that the number of working poor had increased to over 200 million and the number of unemployed people would likely increase by 51 million worldwide. Similarly, there was a risk of reduction in social spending by many governments with serious implications for meeting the MDGs. This could also lead to social tensions and political instability in many countries.

36. The international response to the crisis had so far focused more on financial stabilization and little attention had been given to addressing the development needs of poor countries. He stressed the need for greater international cooperation in efforts to reform the international financial system and assured the Conference of the support of the United Nations system in the reform process.

*Addressing the impact of the crisis on food security, agriculture and sustainable development*

37. Regarding the impact of the financial crisis on food security, agriculture and sustainable development in Africa, Mr. Kanayo Nwanze, President of the International Fund for Agricultural Development (IFAD) observed that the financial crisis had compounded the impact of the food and energy crisis of 2008, which could in turn put achievement of the MDGs at risk. Investment in agriculture and food production had declined as a result of the global recession. The challenge for African countries was to increase investment in agriculture to at least 10 per cent of public expenditure as agreed by the African Heads of State and Government in the 2003 Maputo Declaration, in the face of the financial crisis. Attention should also be given to promoting smallholder agriculture as a means of resolving the food crisis and achieving sustainable development in Africa. In addition, priority should be given to promoting public-private sector partnerships in large-scale commercial agriculture, including investment in infrastructure especially roads and technology.

***Additional compensatory measures and development financing for African countries: Implications of the “Group of 20” Declaration for Africa, including the role of the IMF and AfDB***

38. Dr. Ndikumana, Research Director at AfDB, said that Africa’s development challenges during this period of the global financial and economic crisis was fundamentally the same as before the crisis. He stressed the need to preserve the foundations of growth on the continent by strengthening endogenous growth drivers, promoting domestic investment, particularly in infrastructure, strengthening the banking sector and building new partnerships.

39. Regarding the global and regional responses to the crisis, including the recent commitments by the G-20, and the expanded financing facilities of the IMF and other multilateral development banks, Mr. Ndikumana observed that Africa might not meet the required conditions to benefit from the additional resources pledged as the bulk of it would be in the form of short-term loans. In order to benefit and take advantage of the additional resources pledged by the G-20, it was necessary to review the debt sustainability framework, align external financing with national development needs and increase the voice and representation for Africa in international processes. This should be complemented by measures to significantly enhance domestic resource mobilization, including continued support to the broader regional integration agenda and intra-African trade.

***Discussions and recommendations***

40. The general discussions that followed picked up on many of the issues and recommendations highlighted in the panel discussion, including in particular, the adverse impact of the crisis on Africa’s long-term development and the need for policy measures to respond to its immediate and long-term impacts. The discussions noted that the continent was particularly hard hit by the crisis because it was not prepared for it, coming so soon after the food and fuel crisis of last year.

41. The Conference noted with concern that the financial and economic crisis was quickly becoming a development and human crisis in Africa, and urgent actions were needed to address these. The crisis was already putting at risk earlier hard-won gains and progress against poverty in Africa. The achievement of the MDGs was at risk. Employment had declined sharply in many countries. Social frustrations, tensions and political instability were on the rise. The challenge for all African countries should be to respond to the immediate impact of the crisis, while maintaining the focus on long-term development, including macroeconomic stability, sustaining growth, poverty reduction, economic diversification, food security, education, agriculture, health, infrastructure development, regional integration and climate change.

42. While recognizing that the right mix of national, regional and global responses would be needed to confront the current crisis and prevent future ones, the discussions focused on the responses needed by African countries to mitigate the crisis and support growth and sustainable development. While the appropriate policy response depended on country-specific circumstances, the Conference emphasized the need to give priority in all African countries to strengthening social safety nets to minimize the adverse consequences of the downturn for the poor. This was best accomplished by utilizing all available fiscal space, including the use of deficit financing to support counter-cyclical fiscal policies when necessary.

43. While a few African countries with sufficient foreign reserves to cushion the impact of the crisis had scope for discretionary fiscal stimulus to support growth, the majority of African countries continued to face binding financing constraints with limited or no fiscal space. For such countries, significant additional concessional financing would be needed to weather the crisis and keep the MDGs within sight. It was noted that additional ODA in the medium-term would be critical in allowing a policy stance that would be more supportive to growth. In this regard, the Conference reiterated the call for Africa's development partners to honour their commitments to significantly increase aid flows to the continent, including those made at the recent London Summit of the G-20.

44. A recurrent theme of the discussions was the need for international decision-making to become more representative and inclusive in order to deliver a sustainable global recovery. In this connection, the Conference emphasized the urgent need to accelerate ongoing efforts to reform the global financial architecture to ensure enhanced voice and participation of African countries in the governance of IFIs, including the World Bank and IMF. Many participants called on South Africa and Egypt, as members of the G-20 to continue to advocate for Africa's common position on the reform of the global financial architecture. In addition, participants also called on the United Nations to take a stronger leadership role on the matter, building on its convening power and inclusive membership.

45. On the issue of trade, the Conference called on all countries to play their part in rejecting protectionism by ensuring that their borders remain open to trade and financial flows. Ministers urged a collective commitment to trade liberalization as an integral component of facilitating private sector-led growth and a key building block for financing development. The Ministers also called for a speedy completion of the Doha multilateral trade negotiations and a strengthening of the *Aid for Trade*, which remained critical for generating the additional, predictable, sustainable and effective financing that African countries need to build their supply-side response capacity in the current crisis. The Conference also underscored the need for African countries to deepen regional integration and enhance intra-African trade as well as South-South cooperation and to have a coordinated position in trade and Economic Partnership Agreements' (EPAs) negotiations.

46. The Conference acknowledged that both external financing and domestic resources were needed for long term sustainable development in Africa, and reiterated the need for enhancing domestic resource mobilization in view of the inadequacy of external finance. In this regard, the Conference urged African countries to exert stronger efforts to mobilize additional domestic resources and implement appropriate reforms that enhance their capacity to attract private, non-debt capital flows. The Conference welcomed the adoption of the statutes of the African Investment Bank as it reinforced the regional financial landscape.

***Session II: Panel discussion on fiscal policy and domestic resource mobilization: Africa's policy options***

47. The discussion under this panel featured a presentation by a representative of the secretariat on the role of fiscal policy in domestic resource mobilization. The presentation was followed by a panel discussion addressing four topical issues related to the policy responses required by African countries to confront the current global crisis: Effective fiscal policy for domestic resource mobilization; taxation, debt sustainability and domestic resource



mobilization; the role of ODA in enhancing domestic resource mobilization: the case of Ethiopia; and good governance and domestic resource mobilization. The discussion was led by a panel composed of Mr. Zia Qureshi, Senior Advisor, The World Bank; Mr. Nhlanhla Nene, Deputy Minister of Finance, South Africa; Mr. Sufian Ahmed, Minister of Finance, Ethiopia; and Mr. Martin Khor, Executive Director, The South Centre.

*Effective fiscal policy for domestic resource mobilization in the context of the financial crisis*

48. The presentation by the secretariat noted that the impact of the unfolding crisis was already being felt in Africa even though it originated from outside the continent. Among the effects highlighted were wealth losses in stock markets; tightened credit markets and increased risk premium; declining exports and reduction in external capital flows, including ODA, FDI and remittances. The reduction in financing from external sources had led Africa to concentrate on efforts to enhance domestic resource mobilization. However, weak infrastructure and governance were obstacles to effective domestic resource mobilization, and the low rate of savings in Africa remained a major concern. The important role of fiscal policy in boosting domestic resources was particularly emphasized in the presentation.

49. The presentation highlighted the policy measures needed to increase domestic resource mobilization in Africa. These included strengthening domestic revenue collection capacity, financial and capital market reforms, measures to boost private savings and enhancing the role of ODA in domestic resource mobilization. The presentation also stressed the need for counter-cyclical fiscal policies to cushion the effects of the crisis, enhanced domestic resource mobilization to reduce vulnerability and dependence on external finance, and directing more ODA towards building capacity for domestic resource mobilization.

*Fiscal policy formulation to address the long-term economic and social impact of the crisis*

50. Mr. Zia Qureshi, Senior Advisor at the World Bank and lead author of the *Global Monitoring Report 2009* discussed fiscal policy issues in the context of the economic and social impacts of the global financial crisis. Citing the *Global Monitoring Report 2009*, he noted that economic growth would slow down in 2009 and indicated that developing world growth was projected to fall to 1.6 per cent and 1.7 per cent in sub-Saharan Africa in 2009. Poor countries were hard hit by the financial crisis through multiple channels. He warned that African countries would not meet most of the MDGs and could experience a rise in the number of extreme poor in 2009 as a result of the slowdown.

51. The crisis required a global response, with coordinated actions in six key areas: an adequate fiscal response to support growth and protect the poor; maintenance of macroeconomic stability; improvement of the investment climate with special attention to strengthening financial systems; strengthening the role of the private sector in achieving the human development goals; scaling-up aid to low-income countries; and renouncement of protectionist tendencies in the area of trade and investment. The presentation also highlighted the need for IFIs to have adequate resources to respond to the crisis and for developing countries in particular to establish social safety nets and support small and medium-scale enterprises.

*Taxation, debt sustainability and domestic resource mobilization*

52. Mr. Nhlanhla Nene, Deputy Minister of Finance, South Africa discussed the role of taxation in strengthening domestic resource mobilization. He indicated that tax revenue would eventually replace aid as the main source of financing for countries that were heavily dependent on ODA. Raising sufficient tax revenue allowed countries to own their policies and set their own development priorities. Some challenges needed to be addressed in order to increase the role of taxation in domestic resource mobilization: setting the appropriate tax rate, identification of the tax base, improving the effectiveness of tax administrations in the areas of service delivery, more effective use of automated systems, improved cooperation between tax administrations to counter tax evasion and increasing audit and human resource management capacity. Another key challenge was to ensure that aid did not facilitate unintended consequences that could undermine the tax structures and key institutions of recipient countries.

*The role of ODA in enhancing domestic resource mobilization: The experience of Ethiopia*

53. Mr. Sufian Ahmed, Minister of Finance and Economic Development of Ethiopia gave his country's experience in strengthening the role of ODA in domestic resource mobilization in Ethiopia. ODA was crucial in financing social infrastructure and other vital development programmes. However, there had been a decline in the past few years in ODA flows and only a few developed countries had honoured the pledge to commit 0.7 per cent of their Gross National Product (GNP) to ODA flows. Although donors were also under pressure from the crisis, aid commitments should still be honoured.

54. Noting that excessive inflows of aid had a negative effect on revenue generation, the Minister called on African countries to reduce their dependence on ODA over time and strengthen their capacity to mobilize domestic savings in order to increase gross capital formation and growth. Fiscal policy was a key instrument in this regard. However, following decades of inefficient fiscal policy management and debt accumulation followed by a period of fiscal restraint, there was need for a new paradigm in the use of fiscal policy to ensure that long-term consolidation of public finances did not prevent a more active pro-development use of fiscal policy instruments. If effectively designed and implemented, fiscal policy could foster growth and stimulate domestic resource mobilization.

*Good governance and domestic resource mobilization*

55. Mr. Martin Khor, Executive Director of the South Centre outlined proposals for addressing the effect of the financial and economic crisis on developing countries. He indicated that the effect of the crisis on developing countries was more significant in terms of trade and finance. The trade effect manifested itself in falling commodity demand and prices and the finance effect involved a contraction in credit. As a result, social indicators had worsened in a majority of developing countries. He underscored the need for appropriate national, regional and international policies to address the crisis.

56. Mr. Khor called for the reform of the international system in order to improve global financial stability, enhance access to adequate and stable financial resources, avoid debt crisis, and stimulate the market for goods and services. He also stressed the need to guard against new

trade protectionism aspects of the recovery plans implemented in some developed countries. He suggested that existing Free Trade Agreements should be reviewed in order to allow them to regulate capital flows when necessary. The reform of the IMF was crucial and should allow it to support counter-cyclical policies and related efforts by developing countries to mitigate the impact of the crisis. A reformed global financial architecture should include the establishment of a multilateral fund to help developing countries deal with the threat of new debt crises and address commodity market risks.

#### *Discussions and recommendations*

57. The discussions focused on many of issues addressed by the panellists, including the factors and policies required for enhancing domestic resource mobilization. In particular, the discussion focused on factors that explained the low level of savings in Africa, including the measures needed to address the problem. Low domestic savings rates in Africa were partly the result of lack of access to formal financial services in rural areas, and a low tax base because of the large size of the informal economy. The discussions reaffirmed that structural transformation and economic diversification were necessary components of any strategy for breaking out of the vicious circle of low savings by enhancing domestic resource mobilization in Africa.

58. The discussions noted that IMF had introduced general as well as specific data dissemination standards after the previous financial crises in Asia, Russia and Mexico in an effort to avert future crisis. However, these standards had not been implemented and their implementation was critical for avoidance of future crisis. The discussions also reaffirmed the importance of regional integration and intra-Africa trade to boost international competitiveness and diversify the sources of growth as a means to reduce vulnerability to crisis.

59. The Conference underscored the importance of counter-cyclical fiscal policy, noting that it required sufficient fiscal space, which was lacking in many African countries. This was due to the narrow tax base and the fact that most of the tax revenue was used to pay wages and service external debt. The discussion emphasized that taxes should be used to promote investment and growth as a means to increase public revenue in the future.

60. The Conference noted that the world would recover from the current financial and economic crisis just as it has in the past. However, after the crisis, Africa would still be faced with the same challenges it faced before the crisis, including the dependence on commodity exports that increased vulnerability to external shocks. Whereas economic transformation in Africa required improved infrastructure and education systems, among other factors, there was a huge financing gap to meet those requirements. This reaffirmed the need for more aid to complement Africa's internal revenue efforts in the short to medium term.

61. The following recommendations emerged from the discussion: the importance of vision and the need for leadership for Africa to address its chronic development challenges; ownership of Africa's development strategies; complementarity between external financing and domestic resource mobilization; and the use of fiscal policy to promote long-term economic growth and transformation. In particular, fiscal policy should be used to encourage informal businesses to register and to encourage investment in rural areas.

62. The discussion also underscored the need for African governments to adopt active counter-cyclical fiscal policies to achieve stability and long-term growth. In this regard, the Conference reaffirmed the need to improve the tax system and use fiscal policy to direct investments towards infrastructure and human capacity development. Meanwhile, ODA should be directed towards financing infrastructure and building capacity for domestic resource mobilization. Enhancing revenue generation also required strengthening of tax administrations, simplification of the tax system, widening the tax base and progressively integrating the "informal" sector into the mainstream of the national economy, improving natural resource management to build up reserves, and the use of appropriate computer software and technology.

63. The importance of good governance and economic management, including effective institutions was also underscored as key to effective resource mobilization. In this regard, the Conference called for enhanced commitment and for measures to reduce corruption, stem capital flight and prevent money laundering. This would also require support from the international community.

**Launching of the Economic Report on Africa, 2009 (Brief remarks followed by a press conference by the Chairperson of AUC and the Executive Secretary of ECA on ERA 2009 and other topical issues) (Agenda item 5)**

64. Under this agenda item, a press event was organized to launch the 2009 edition of the Economic Report on Africa (ERA), jointly published by AUC and ECA, on the theme, *Developing African Agriculture through Regional Value Chains*. Speaking at the launch of the report, United Nations Under-Secretary-General and Executive Secretary of the Economic Commission for Africa, Mr. Abdoulie Janneh, said ERA 2009 served two important functions. First, it tracked Africa's economic and social performance in the previous year within the global context. Secondly, the report made policy recommendations and suggestions for the future management of African economies.

65. Mr. Janneh informed the Ministers that the theme of ERA 2009 was on agriculture, and said that the focus on agriculture was necessary as it was the most important sector in many African countries. He noted that the African Union already had important agricultural programmes such as the Comprehensive Africa Agriculture Development Programme (CAADP) as a framework for developing agriculture.

66. He said the theme of the report was also in response to the decision of the Conference of Ministers of Finance in 2007, when Ministers debated ways of accelerating growth rates to meet the MDGs, and one of the key recommendations was to revitalize agriculture. He commended the report to the Ministers and looked forward to discussing its recommendations with them.

67. The AU Commissioner for Economic Affairs, Mr. Maxwell Mkwezalamba, commended the enhanced collaboration between ECA and AU, as evidenced by the joint preparation of ERA 2009. He said that both institutions were working hard to support the development agenda of member States. He said the collaboration would create an enduring platform for analysis and forecasting for African economies. He further stated that African countries had given AUC and ECA a mandate to help member States in the fight against poverty, and thanked member States for supporting the institutions in their work. He

commended the staff of ECA and AUC for their hard work and expressed his sincere hope that the report would contribute to economic policy-making in member States.

68. The report noted that the current global financial and economic crisis would have a severe impact on growth in Africa in 2009, with an average GDP growth forecast at 2 per cent compared to 5.1 per cent in 2008. The crisis had already resulted in lower demand for Africa's exports and a sharp decline in commodity prices. At the same time, the projected decline in capital inflows to Africa, including aid, FDI and remittances would accentuate the impact of the global credit crunch. This would dramatically increase the number of people falling back into poverty and make attainment of the MDGs more difficult for most countries. Most of the projections contained in the report were made on the assumption that oil prices would be around \$US50 per barrel. However, as oil prices were now closer to \$US70 per barrel, the situation could deteriorate further for some countries.

69. ERA 2009 examined the issue of agriculture development in Africa from a regional integration framework. The report noted with concern that Africa had become a net importer of agricultural products to meet its food needs, with an average annual import bill of \$33 billion of agricultural products, compared to \$22 billion in agricultural exports. The report observed that agribusinesses offered an important opportunity to provide forward and backward linkages to agriculture by providing it with inputs such as fertilizers, high-yielding variety seeds, financial services and forward linkages by processing outputs.

70. Africa's diverse agro-climatic conditions also offered a unique opportunity for producing different products in different countries, and then trading with each other. This would ensure that agriculture benefits from economies of scale to improve competitiveness. The report further stressed that modern agriculture was crucial to development and industrialization, food security, sustained poverty reduction and integration of Africa in the global economy.

**Consideration of the report and major recommendations of the meeting of the Committee of Experts of the Joint Annual Meetings of the AU Conference of Ministers of Economy and Finance and ECA Conference of Ministers of Finance, Planning and Economic Development (Agenda item 6)**

71. Under this agenda item, the Chairperson of the meeting of the Committee of Experts presented the report of the Committee together with eight draft resolutions recommended for consideration and adoption by the Conference, as contained in document E/ECA/CM/42/2 - AU/CAMEF/EXP/Rpt (IV). The Chairperson indicated that the report contained the summary of the main discussions and major recommendations covering the issues on the agenda of the Committee's meeting, including the theme of the Conference. The Committee considered and made recommendations on the following issues on the agenda of its meeting: Overview of economic and social development in Africa; assessment of progress on regional integration in Africa; African Charter on Statistics; climate change and development; review of progress towards achieving the MDGs in Africa; progress report on UN system-wide support to the African Union and its NEPAD programme; and the 2009 report on Mutual Review of Development Effectiveness (MRDE). The Committee also considered and made recommendations on a number of statutory issues related to the effective functioning of AUC and ECA.

72. With regard to theme of the Conference, the Chairperson of the Committee said that the Committee welcomed the theme in the light of the current global financial and economic crisis, which had adversely affected external resources for development. The Committee examined various sources of domestic resource mobilization, using a more holistic approach and reaching agreement on different options appropriate for today's global economic environment in order to mitigate the adverse effects of the crisis on development finance in Africa. The Committee underscored the need for policies and strategies for enhancing domestic and external financial resources mobilization through tax and non-tax instruments that would be fair, equitable and create minimal disincentives for economic efficiency. It also urged initiation of tax reforms, including widening the tax base and progressively integrating the "informal" sector into the mainstream of the national economy.

73. The Chairperson also highlighted the Committee's observations on the statutes of the proposed African Investment Bank, which was extensively discussed by the Committee. In this regard, he said the Committee recommended adoption of a resolution on the statutes. He requested AUC to undertake further work on the annexes in collaboration with legal and finance experts from member States before submission for adoption to the extraordinary session of the AU Conference of Ministers of Finance and Economy (CAMEF) scheduled for November 2009.

74. The Chairperson of the Committee then invited the Conference to consider and adopt the report of the meeting of the Committee of Experts. The Conference proceeded to adopt the report with no observations or comments. The full report, as originally adopted by the Committee is attached to the present report as Annex I.

75. Following the adoption of the report of the Committee, the Conference separately considered the eight draft resolutions annexed to the report. The draft resolutions covered the following issues discussed by the Committee: (1) Enhancing domestic resource mobilization; (2) Implementation of the African Charter on Statistics; (3) Congress of African economists on subregional and regional integration; (4) Proposed Programme of Work and priorities for the Biennium 2010-2011; (5) Statutes of the proposed African Investment Bank; (6) Repositioning of the African Institute of Economic development and Planning (IDEP); (7) Global Financial and Economic Crisis; and (8) Millennium Development Goals.

76. The Committee adopted the eight draft resolutions in light of its own comments, observations and amendments. Five resolutions, as amended, are contained in Chapter V of this report.

#### **Any other business (Agenda item 7)**

77. No issues were raised under this agenda item.

#### **Consideration and adoption of the draft Ministerial Statement (Agenda item 8)**

78. Under this agenda item, the Conference considered the draft Ministerial Statement for adoption.

79. The draft ministerial Statement was introduced by the Rapporteur of the Bureau of the Second Joint Annual Meetings of the African Union Conference of Ministers of Economy and Finance and the Economic Commission for Africa Ministers of Finance, Planning and Economic Development. In his presentation, the Rapporteur highlighted the main sections of the draft statement, which included an introductory part and nine sections, covering: Financial and economic crisis; Domestic resource mobilization; Regional integration; Millennium Development Goals; Climate change; Charter on Statistics; International trade; African Investment Bank; and Least Developed Countries. The Ministerial Statement also contained a section on Vote of Thanks.

80. In considering the draft Ministerial Statement, the Ministers commended the Rapporteur and the secretariat for the clarity and comprehensiveness of the Statement and considered it in details. Some delegates made general comments and observations on various sections of the draft Statement, and under the full guidance of the Chairperson, highlighted specific issues that required minor amendments in the draft. These included: mention of “attendant conditionalities” attached to the multilateral financial support in order to combat the current financial and economic crisis; request for another permanent seat for Africa in the G-20; stemming of capital flight, in connection with domestic resource mobilization; and in addition to domestic resource mobilization, request for fulfilment of donor commitments. After the explanation offered by the secretariat regarding pending finalization of the conditions and legal issues governing African Investment Bank, and in the spirit of cooperation, both delegates seeking further amendments to the draft Statement withdrew their observations and proposed amendments.

81. The Conference of Ministers unanimously adopted the draft Ministerial Statement in the light of the above observations and proposed amendments. The amended version of the Statement is attached to this report as part of Annex I.

### **Closing of the Conference (Agenda item 9)**

82. In his closing remarks, the Executive Secretary of ECA, Mr. Abdoulie Janneh expressed his sincere gratitude and appreciation to all participants, particularly to Ministers for coming to the meeting. He said their insightful contribution to the deliberations of the Conference clearly demonstrated their leadership and commitment to addressing Africa's development challenges. He was pleased to note that the Conference had become the only forum of its kind to gather African Ministers of Finance, Planning and Economic Development to share experiences on key issues and challenges and reach consensus on policies for addressing such challenges. He further noted that the discussion on the theme of Conference had been both insightful and inspiring and assured participants that the outcomes of the Conference would feed into other important processes such as the next G-8 Summit to be held in Italy and the high-level meeting on the global financial and economic crisis, to be convened by the President of the General Assembly in late June 2009.

83. On the impact of the financial crisis on development in Africa, the Executive Secretary stated that the crisis was both a challenge and an opportunity for Africa. While the crisis could set back Africa's fight against poverty, it could also be an opportunity for innovation, self-reliance and practical solutions. He emphasized the need for African countries to continue to deepen efforts to achieve economic diversification and enhanced competitiveness for effective integration into the global economy. He thanked the Conference for their guidance and

endorsement of the ECA work programme for the biennium 2010-2011 and the proposals to reposition the African Institute of Economic Planning and Development (IDEP). He also assured the Conference that he would do his best to live up to the expectations of member States. Mr. Janneh concluded his remarks by paying special tribute to the Chairperson of the Conference, His Excellency, Dr. Youssef Boutros-Ghali, for his able leadership and the efficient manner in which he chaired the meetings. He also thanked the people and Government of the Arab Republic of Egypt for graciously hosting the Conference, all the panellists, and all the secretariat staff for their hard work that had contributed to the success of the Conference.

84. In his closing remarks, Dr. Maxwell Mkwezalamba, AU Commissioner for Economic Affairs, commended the Ministers for their commitment and the actionable recommendations they made for guiding the way forward in addressing Africa's development challenges, particularly in enhancing domestic resource mobilization. He noted that the outcomes of the Conference should provide a blueprint for action at the country level, and assured the Ministers that AUC and ECA would continue to work closely with other partners to help member States in translating the outcomes into policy actions. He highlighted the issue of the African Investment Bank and emphasized the need for member States to support efforts to accelerate establishment of the Bank in light of the current financial and economic crisis.

85. In his closing remarks, the Chairperson of the Conference and Minister of Finance of the Arab Republic of Egypt, Dr. Youssef Boutros-Ghali, thanked the Conference for the honour and privilege given to him and his country to chair the Conference for the next twelve months. He said he would use the position to make Africa's voice heard in the world and ensure a more forceful presence for the continent on the world stage. Noting that Africa would have to overcome the current crisis on her own efforts, the Minister said the outcomes of the Conference should enhance the capacity of African countries to overcome the crisis. He emphasized the need for the continent to speak with one voice to enhance its collective position in the world despite the continent's diversity. He also pointed out that Africa was a rich continent with vast potential and opportunities to attract the same amounts of capital and investments as China and other Asian countries with the right policy environment. He added that African countries needed to be in tune with each other's needs and interests. He indicated that he intended to use his position as Chairperson over the next 12 months to convene a series of meetings and consultations to carry forward the outcomes of the Conference and discuss key issues of interest to member States.

86. The Minister of Finance of the Republic of Cameroon, His Excellency Mr. Essimi Menye, gave a vote of thanks on behalf of the Ministers attending the Conference. The Minister commended the secretariat for organizing a successful Conference. On behalf of all the Ministers and other participants, he expressed his sincere gratitude to His Excellency, President Hosni Mubarak, as well as the Government and people of the Arab Republic of Egypt for hosting the Conference and extending the hospitality shown to all delegations attending the Conference. He noted that the theme was timely and commended the richness of the discussions. He reiterated the commitment of the Ministers to work closely with the Heads of State and Government in translating the outcomes of the Conference into action in their respective countries.

87. The Chairperson then declared the meeting closed.



## **Annex I**

### **A. Resolutions adopted by the Joint Conference**

#### **862 (XLII) Enhancing Domestic Resource Mobilization**

##### **The Conference of Ministers,**

*Recalling* the outcome of the International Conference on Financing for Development held in Monterrey, Mexico, from 18 to 22 March 2002 and the Doha Declaration issued at the Follow-up International Conference on Financing for Development held in Doha, Qatar from 29 November to 2 December 2008,

*Recognizing* the importance of domestic resource mobilization in providing stable and predictable finance for sustained growth and poverty reduction in Africa,

*Noting* the critical and complementary roles of the public and private sectors in mobilizing domestic resources and translating them into productive investments for sustained growth and poverty reduction;

*Concerned about* the severe negative effects of the current financial and economic crisis on resource mobilization in Africa as well as the implications for growth and prospects for meeting the Millennium Development Goals by the 2015 target date;

*Aware* of the need to increase domestic resource mobilization to bridge the gap between domestic savings and investment requirements;

1. Reaffirms the importance of good governance at national and international levels in the successful mobilization of domestic resources and calls on African countries to deepen governance reforms, increase transparency in the use of public funds, and strengthen efforts to improve management of natural resources;
2. Calls upon African governments to enhance domestic revenue mobilization by broadening the tax base, improving tax administration, increasing accountability, addressing tax evasion, fraud and avoidance, as well as efficiency in the use of public resources;
3. Encourages African governments to provide more support for private sector development as a viable strategy to increase private investment, boost growth, and lay a solid foundation for effective domestic resource mobilization;
4. Appeals to donors to reinforce Africa's resource mobilization efforts by taking appropriate actions to stem capital flight, reduce the cost of sending remittances, provide technical assistance to strengthen public financial management systems, and direct more official development assistance towards building national capacities for domestic resource mobilization;

5. Requests African countries to be more selective in the use of tax incentives as well as exemptions for promoting foreign investment and adopt a gradual approach to multilateral trade liberalization to ensure that trade reforms do not erode the fiscal base and jeopardize the achievement of national development goals;
6. Urges African governments to make more efforts to boost private savings through building and strengthening domestic financial systems, maintaining political and macroeconomic stability, and exploiting the potential of microfinance institutions for mobilization of savings in the informal sector;
7. Stresses the need for financial market development to increase liquidity through pooling of savings, reduce transaction costs, enhance financial intermediation, and promote growth and development;
8. Stresses the need for structural transformation of African economies through modernization of agriculture and value-chain development and facilitating industrial growth and manufacturing to promote sustained growth;
9. Calls upon African governments to enhance budget formulation and use as an effective instrument for economic policy management.

### **863 (XLII) Proposed Programme of Work and Priorities for the Biennium 2010-2011**

#### **The Conference of Ministers,**

*Recalling* resolution 857 (XLI) of 2 April 2008 adopted by the Conference of African Ministers of Finance, Planning and Economic Development which endorsed the Proposed Strategic Framework/Biennial Programme Plan for the Period 2010-2011;

*Noting with appreciation* the continued efforts of the ECA to consolidate the gains resulting from its repositioning by scaling up its action towards achieving greater effectiveness and impact in programme delivery;

*Expressing its appreciation* to the secretariats of the United Nations Economic Commission for Africa, the African Union Commission and the African Development Bank for having strengthened their partnership and collaboration towards enhancing synergies to respond to Africa's development priorities and help Africa to meet its special needs and emerging global challenges, including those related to the global financial and economic crisis;

*Having examined* the proposed programme of work and priorities for the biennium 2010-2011 contained in document E/ECA/COE/28/15;

Endorses the proposed work programme and priorities for the biennium 2010-2011, as activities proposed for this programme are demand-driven and the United Nations Economic Commission for Africa will continue to build on its existing partnerships with the African Union Commission, the African Development Bank and the regional economic communities (RECs).

## **864 (XLII) Repositioning of the African Institute for Economic Development and Planning (IDEP)**

### **The Conference of Ministers,**

*Recalling* its resolution 851 (XL) of 2 April 2008 on IDEP, in which it mandated the Executive Secretary of ECA, in his capacity as Chairperson of the Governing Council, to take all the necessary measures to reposition the Institute;

*Recalling also* its resolution 846 (XXXIX) of 15 May 2006 on the mandate and operations of IDEP;

*Noting with appreciation* the updated report presented on the repositioning of IDEP, which outlined the major steps taken and the measures proposed for revamping the programmes and diversifying the services provided by the Institute, as articulated by its newly recruited Director;

1. Congratulates the new Director of IDEP upon his appointment and extends its support and cooperation to him;
2. Endorses the broad vision and strategic orientation for the renewal of the Institute which the Director has presented;
3. Encourages the IDEP leadership to continue the consultative process for the speedy completion of the repositioning of the Institute, including innovative methods of financing and programming for the long term;
4. Appreciates the financial contributions received from some member States, and requests those who have not paid their contributions to do so;
5. Requests the Director of IDEP, in close collaboration with the Governing Council of the Institute, to report on the new strategic orientation and priorities, as well as the status of implementation of the IDEP repositioning exercise to the next session of the Conference.

## **865 (XLII) Global Financial and Economic Crisis**

### **The Conference of Ministers,**

*Recalling* the communiqué on the financial crisis issued by African Ministers of Finance and Planning and Governors of Central Banks in Tunis, Tunisia, on 12 November 2008;

*Recalling also* the communiqué issued by the Committee of Ten African Ministers of Finance and Planning and Governors of Central Banks in Cape town, South Africa on 16 January 2009;

*Recalling further* AU Heads of State declaration Assembly/AUDecl.2XII on the international financial crisis issued at the Twelfth Ordinary Session of the Assembly of the African Union held in Addis Ababa, Ethiopia, from 1 to 3 February 2009;

*Deeply concerned* about the adverse effects of the global financial crisis on trade, private capital flows, remittances, Official Development Assistance flows and growth as well as the ability of African countries to meet the Millennium Development Goals by the 2015 target date;

*Recognizing* that the financial and economic turmoil is a global crisis and requires a coordinated response that takes into account differences in national capacity to adopt counter-cyclical policies and to tackle systemic flaws in the global financial system while promoting job creation, and providing social protection;

*Taking note* of the outcome of the G-20 Summit held in London on 2 April 2009;

1. Welcomes the G-20 invitation of Africa to the London Summit and requests for continued African representation in future meetings of the group as well as adequate voice and representation of the region in all global economic forums on reform of the international financial architecture and in development finance institutions, such as the World Bank and the International Monetary Fund, that make decisions affecting the lives of its people;
2. Welcomes also the proposal of the President of the General Assembly to organize a high-level meeting on the global financial and economic crisis from 26 to 27 June 2009, and requests African countries to participate at the appropriate level;
3. Urges advanced countries to intensify efforts to boost global demand, restore stability in financial markets, strengthen financial system regulation, and unlock credit markets to increase prospects for global recovery as well as ensure that the financial crisis does not erode the tremendous gains in economic and social performance made by several African countries in recent years;
4. Urges the AUC and ECA to explore debt standstill and debt restructuring arrangements in consultation with the World Bank, the IMF and developed countries;
5. Calls upon donors to fulfil their commitments to Africa on scaling-up aid and improving aid effectiveness as reflected in the outcomes of the Monterrey Consensus, the G-8 Africa Action Plan, the Gleneagles Summit, the Paris Declaration and the Accra Agenda for Action;
6. Encourages African countries to take appropriate action to cushion the impact of the crisis on vulnerable groups and prevent the financial crisis from becoming a humanitarian crisis in the region. In this regard, efforts should be made to support social protection programmes as well as increase investment in infrastructure, health and education, which are critical to success in diversifying the production and export structure in African economies;

7. Requests multilateral and regional development-finance institutions to increase the quantity as well as access to unconditional financing for Africa, support counter-cyclical domestic policies, and respond more flexibly to the needs of African countries to allow them to weather the global slowdown;
8. Urges African governments to deepen economic reforms and to refrain from imposing new restrictions on trade and investment in response to the crisis to avoid reversing the progress made in economic management and governance that have contributed significantly to the recent improvement in macroeconomic performance in the region;
9. Encourages African governments to remove all obstacles to intra-African trade, harmonize trade policies and regulations, and fast-track regional integration to reduce susceptibility to external shocks and lay a solid foundation for sustained economic growth.

## **866 (XLII) Millennium Development Goals**

### **The Conference of Ministers,**

*Recalling* African Union Summit decisions requesting the African Union Commission, in collaboration with the United Nations Economic Commission for Africa and the African Development Bank, to submit annual status reports and related statistics on Africa's progress towards attainment of the Millennium Development Goals (MDGs) to the Assembly of Heads of State;

*Further recalling* the resolution of the First Joint Meeting of the AU Conference of Ministers of Economy and Finance and the ECA Conference of African Ministers of Finance, Planning and Economic Development on the MDGs;

*Recognizing* the progress being made by the continent towards attaining the targets of the MDGs;

*Recognizing* also the important role that sub-national institutions can play in accelerating the targets of the MDGs;

*Commending* the efforts that the AU Commission, ECA and the AfDB are making to support the strengthening of African national statistics systems to collect and disseminate MDG relevant data;

*Recognizing* also the possible adverse impact of the global financial crisis and economic downturn on the effort of African countries to achieve the MDGs;

*Taking note of the need to:*

- i. Continue to maintain policies that are consistent, both in the short and long run, with macroeconomic stability and growth;
  - ii. Adopt social safety net and social protection programmes that would scale up progress towards attainment of the MDGs;
  - iii. Continue to strengthen national statistical systems and to continue to avail, on a timely basis, national data to the AUC Statistics Unit, ECA African Centre for Statistics and the AfDB Statistics Department;
  - iv. Cascade MDG-based development plans and poverty-reduction strategies to sub-national jurisdictions and other lower tiers of government;
1. Requests ECA and AUC to promote peer learning and experience sharing on the MDGs, including through the African Poverty Reduction Strategies and MDGs Learning Group (PRS/MDGs-LG);
  2. Mandates AUC, ECA and AfDB to help Africa to prepare for the 2010 United Nations System-wide mid-term review of progress towards the MDGs and request the three institutions to undertake regional consultative meetings to review progress towards the MDGs and urge our countries to support this exercise;
  3. Calls upon development partners to fulfil their ODA commitments as reaffirmed during the G-20 Summit held in London, to ensure attainment of the MDGs.

## **B. Ministerial Statement**

1. We, the African Ministers of Finance, Planning and Economic Development, met in Cairo, Egypt, on 6 and 7 June 2009 for the Second Joint Annual Meeting of the African Union Conference of Ministers of Economy and Finance and the United Nations Economic Commission for Africa (ECA) Conference of African Ministers of Finance, Planning and Economic Development.

2. We recall that, at the First Joint Annual Meeting in Addis Ababa in March 2008, we reiterated our commitment to make employment creation a central feature of our economic and social policies, take measures to mitigate the effects of volatile food and energy prices, deepen governance reforms, provide legal empowerment for the poor, enhance resource mobilization, scale up efforts to promote regional integration, deal with the challenges presented by climate change and strengthen efforts to meet the Millennium Development Goals (MDGs).

3. We recognize that the global financial and economic crisis has changed the international environment in which we design and implement policies. The drying up of key sources of development finance has exposed our vulnerability to external finance and rekindled interest in scaling up efforts to enhance domestic resource mobilization as a sustainable mechanism for financing development in the long run. In this regard, the theme of this year's Conference, "Enhancing the effectiveness of fiscal policy in domestic resource mobilization," is quite appropriate.

## **Financial and economic crisis**

4. We recognize that although the financial crisis was triggered by events in the advanced countries, its effects are already being felt in Africa. Recent projections indicate that in 2009 the crisis will reduce growth in the region by two to four percentage points, with dire consequences for our ability to reduce poverty and meet the MDGs by the 2015 target date. Consequently, bold and swift actions are needed to cushion the impact of the crisis on our economies and protect vulnerable groups.

5. We recall the outcome of the meeting of African Ministers of Finance and Planning and Governors of Central Banks held on 12 November 2008 in Tunis, Tunisia. We recall further the communiqué issued by the Committee of 10 Ministers of Finance and Planning and Governors of Central Banks at their meeting on 16 January 2009 in Cape Town, South Africa. We reaffirm the commitments we made in Tunis to deepen economic reforms, strengthen regulation of financial institutions, harmonize fiscal and monetary policies, improve governance and accountability, diversify our export structure, make more judicious use of public revenue and improve debt management.

6. We acknowledge that several countries in the region lack the ability and flexibility to conduct counter-cyclical policies needed to mitigate the impact of the crisis on their economies. We urge regional and multilateral development finance institutions to increase their financial support to African countries while alleviating attendant conditionalities to enable them to finance economic and social programmes and ensure that the financial crisis does not become a humanitarian disaster. We also urge donors to meet their existing commitments to the region.

7. We are convinced that a global crisis requires a global and coordinated response that reflects differences in national abilities and ensures proper representation of all countries. In this regard, efforts should be made to increase Africa's voice and participation in international financial institutions as well as other forums on reform of the global financial architecture. We welcome the decision by the United Nations General Assembly to organize a global conference on the financial crisis and urge African countries to participate actively.

8. We welcome the fact that the G20 invited Africa to the London Summit, and urge the allocation of another permanent seat in the G-20 to the region to ensure that its interests and concerns vis-à-vis global economic issues and institutions are heard and taken into account. We take note of the outcome of the G20 London Summit, and request that efforts should be made by the G-20 and the G8 to ensure that a significant percentage of the resources pledged is allocated to the African region. Furthermore, there is a need for a temporary moratorium on debt payments by our countries to free resources for development.

## **Domestic resource mobilization**

9. We acknowledge the existence of a wide gap between domestic savings and investment requirements in our region, as well as the need to close this financing gap in order to increase the prospects of meeting the MDGs. We recognize the crucial role of domestic resource mobilization in laying a solid foundation for sustained growth and development. We also recognize that external finance can complement domestic resources and help to create an

environment conducive to the mobilization of resources for development. We further recognize the need to stem capital flight.

10. Success in mobilization of domestic resources requires public-sector interventions designed to boost growth, increase public revenue and encourage saving by the private sector. We recognize that sustained economic growth is a necessary condition for increasing domestic revenue mobilization. Growth will increase domestic revenue if it is accompanied by structural change, improved fiscal policies and better tax administration.

11. We encourage our governments to critically assess the benefits and costs of using tax incentives to promote foreign investment, and also urge them to adopt a more cautious approach to multilateral trade liberalization to ensure that it does not erode the fiscal base, thereby jeopardizing the achievement of key national development goals.

12. Good governance at the national and international levels is needed for success in domestic resource mobilization. We call on our governments to deepen governance reforms, protect property rights and enforce the rule of law. We also call on our development partners to take appropriate actions to reduce tax evasion and make it easier for migrants to transfer money by reducing the cost of remittance transactions.

13. We commit to strengthening the functioning of our domestic financial systems so that they can contribute more effectively to financial intermediation and cater for the long-term financing needs of investors. Efforts should also be made to exploit the potential of microfinance institutions in the mobilization of savings. In this regard, there is a need to link formal and informal financial institutions to improve their effectiveness and impact.

14. We note that in the majority of our countries, official development assistance (ODA) has played and will continue to play a major role in development financing in the short to medium term. However, more efforts are needed on the part of our governments to enhance domestic resource mobilization and reduce reliance on aid in the long run. It is well known that domestic finance is a more stable and sustainable source of development financing than ODA. On the other hand, it is critical that donors fulfil their commitments to Africa on scaling up aid and its effectiveness, as reflected in the Monterrey Consensus, the G-8 Africa Action Plan, the Gleneagles Summit outcome and the Paris Declaration.

15. We are concerned at recent evidence indicating that a large percentage of ODA flows to Africa finances capital outflows in the form of debt payments, and call on our governments and development partners to find innovative ways in which ODA could be used more effectively to support national development priorities. In this regard, there is a need to direct more ODA towards building capacity for domestic resource mobilization in the region.

### **Regional integration**

16. While acknowledging recent progress towards regional integration in our region, such as the decision of the heads of State and government of the Common Market for Eastern and Southern Africa, the Southern African Development Community and the East African Community to establish a free-trade area, we remain concerned that overall progress in regional integration and intra-Africa trade remains limited. We reaffirm our commitment to



advance regional integration in the context of the Minimum Integration Programme adopted by the Fourth Conference of African Ministers of Integration. We also commit ourselves to addressing the challenges that the regional economic communities face in their efforts to advance regional integration and intra-African lack of trade, including the lack of macroeconomic policy convergence, inadequate policy commitments and implementation of protocols by member States. Furthermore, we commit ourselves to intensifying efforts to promote infrastructure and institutions that support regional integration, including efforts to establish a continental integration fund for financing the Minimum Integration Programme.

### **Millennium Development Goals**

17. We commend the secretariat's report on progress in Africa towards the MDG targets. While applauding the efforts that our countries are making towards attaining these goals, we acknowledge that the current global economic and financial crisis could fetter efforts and erode progress already made. To sustain progress and attenuate the adverse impact of the current global economic and financial crisis, and to sustain efforts to achieve the MDGs, we will consider the feasibility of adopting social safety nets and other social protection measures, and in doing so maintain and continue to pursue policies that are consistent with macroeconomic stability and growth.

18. Recalling the recommendation of the 2005 United Nations World Summit and mid-term review of progress towards the MDGs that countries experiencing extreme poverty should adopt and begin to implement the MDGs as consistent with their national development plans, we commit to strengthening our planning systems and to diligently implementing our national development plans. In this context, we recognize the contribution that sub-national jurisdictions can make in efforts to achieve the MDGs, and resolve to cascade and devolve MDG-based planning to these lower tiers of government.

19. Knowledge-sharing, peer learning and experience-sharing are critical for innovations in policymaking, but are underutilized. We therefore call on the African Union Commission (AUC) and ECA to promote knowledge-sharing and peer learning on the MDGs among our countries, including through the African Learning Group on Poverty Reduction Strategies and the Millennium Development Goals.

### **Climate change**

20. Although Africa is not a major contributor to global warming, it is the region most likely to be significantly affected by climate change. We call on industrialized countries to provide financial and technical assistance to our countries to enable them to respond to the challenges presented by climate change.

21. We take note of the outcome of the Third African Ministerial Conference on Financing for Development, held in Kigali, Rwanda, on 21 and 22 May 2009, under the theme "Climate change: financing opportunities and challenges to achieve the MDGs in Africa".

22. We request the AUC and ECA to strengthen the capacity of our countries in negotiating climate change agreements and accessing existing financial resources for mitigating and adapting to climate change.

### **African Charter on Statistics**

23. Effective policy formulation and implementation, as well as tracking the performance of economies, require timely access to and the availability of statistical data. We are concerned at the poor state of statistical development in our countries and urge the AUC, ECA, the African Development Bank, the African Capacity Building Foundation, the regional economic communities and member States to establish a mechanism for monitoring the implementation of the African Charter on Statistics.

### **International trade**

24. We view with concern the substantial drop in world trade and African exports resulting from the financial crisis. We take note of measures taken by the G-20 to mobilize additional resources for trade financing. We call upon developed countries to avoid protectionism, which would exacerbate the adverse effects of the crisis on our economies. There is also a need to conclude the Doha Development Round with appropriate provisions to take into account Africa's interests and concerns. We call upon all stakeholders to show strong support for the implementation of the Aid for Trade initiative, and we look forward to the forthcoming global meeting to review this initiative.

### **African Investment Bank**

25. We note with satisfaction that after the adoption of the Protocol on the establishment of the African Investment Bank by the African Union in February 2009, we have reached agreement today on the draft statute of the Bank, which is one of the three financial institutions stipulated in the African Union Constitutive Act. We recognize the need to fast-track the establishment of the Bank and urge member States to sign and ratify the Protocol as quickly as possible.

### **Least developed countries**

26. We recognize that least developed countries face challenges that require special attention, and welcome the United Nations General Assembly's decision to convene the Fourth United Nations Conference on the Least Developed Countries in 2011. We call on ECA, in collaboration with the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, to organize an African regional review meeting prior to the Fourth Conference, as called for by United Nations General Assembly resolution 63/227 of 19 December 2008.

### **Vote of thanks**

27. We thank the Government of the Arab Republic of Egypt for hosting the meeting and for the excellent facilities put at our disposal. We also thank His Excellency Dr. Youssef Boutros-Ghali, Minister of Finance of the Arab Republic of Egypt, for gracing the occasion.

28. Finally, we are grateful to the AUC and ECA for successfully convening this meeting and for their excellent presentations and the support provided.

**Annex II: Report of the Twenty-eighth Meeting of the Committee of Experts of the ECA Conference of African Ministers of Finance, Planning and Economic Development**

**A. Introduction**

1. The twenty-eighth meeting of the Committee of Experts of the second Joint Annual Meetings of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development was held in Cairo, Egypt from 2 to 5 June 2009. Preliminary remarks were made by the following: Mr. Getachew Adem, Chairperson of the outgoing Bureau of the Committee of Experts of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development, and Mr. Abdoulie Janneh, United Nations Under-Secretary-General and Executive Secretary of the Economic Commission for Africa (ECA). The opening statement was made by Mr. Hany K. Dimian, Deputy Minister of Finance, Arab Republic of Egypt.

**B. Attendance**

2. The meeting was attended by representatives of the following member States: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Namibia, Niger, Nigeria, Senegal, South Africa, Sudan, Swaziland, Togo, Tanzania, Zambia and Zimbabwe.

3. The following regional economic communities were also represented: Arab Maghreb Union (AMU), Economic Community of the Great Lakes Countries (CEPGL), Common Market for Eastern and Southern Africa (COMESA), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC).

4. The following United Nations bodies and specialized agencies were also represented: Food and Agriculture Organization of the United Nations (FAO), International Fund for Agricultural Development (IFAD), Office of the High Representative for Least Developed, Land Locked and Small Island Developing State (OHRLLS), Joint United Nations Programme on HIV/AIDS (UNAIDS), Regional Commissions New York Office (RCNYO), United Nations Conference on Trade and Development (UNCTAD), United Nations Environment Programme (UNEP), United Nations Children's Fund (UNICEF), United Nations Industrial Development Organization (UNIDO), United Nations Office of the High Commissioner for Human Rights (UNOHCHR), and the World Bank.

5. One observer among the member States of the United Nations was present: Germany.

6. Observers were present from the following organizations: Arab African Business, African Centre for Meteorological Applications to Development (ACMAD), African

Partnership Forum Support Unit, African Monitor, Bank of Central African States (BEAC), League of Arab States (LAS), Organization for Economic Cooperation and Development (OECD), and the United States Mission to the African Union.

### **C. Adoption of the agenda and election of the Bureau**

7. The Committee adopted the following agenda:

1. Opening of the meeting
2. Election of the Bureau
3. Adoption of the draft agenda and programme of work
4. Overview of recent economic and social developments in Africa
5. Assessment of progress on regional integration in Africa
6. Follow -up to major decisions of the 2008 Joint Annual Meetings
  - *African Charter on Statistics*
  - *Climate change and development – Assessment of the Copenhagen Conference*
  - *Review of progress towards achieving the MDGs in Africa*
  - *Report of the 9<sup>th</sup> Regional Consultation Mechanism of United Nations agencies working in Africa in support of the AU and its NEPAD programme*
  - *Presentation of the 2009 report on the Mutual Review of Development Effectiveness (MRDE)*
7. Presentation and discussion on the theme of the Conference: Enhancing the effectiveness of fiscal policy for domestic resource mobilization
8. Statutory issues
  - *Presentation and consideration of the ECA Annual Report, 2009*
  - *Report of the fourth Conference of African Ministers of Integration*
  - *Report of the meeting of legal and finance experts on the statutes of the proposed African Investment Bank*
  - *Implementation of the first Plan of Action of the Africa-EU Joint Strategy*
  - *Report of the recently launched Coalition for Dialogue on Africa (CODA)*
  - *ECA proposed workprogramme and priorities for the biennium 2010-2011*
  - *Consideration of the report of the first Congress of African Economists on Regional Integration*
  - *ECA report on the repositioning of the African Institute for Economic Development and Planning (IDEP)*

9. Any other business
10. Consideration and adoption of the draft report of the Committee of Experts and draft resolutions
11. Closing of the meeting

#### **D. Election of the Bureau**

8. The following officers were unanimously elected by the Committee to form the new Bureau:

Chairperson:	Arab Republic of Egypt
First Vice-Chairperson:	Chad
Second Vice-Chairperson:	Zimbabwe
Third Vice-Chairperson:	Benin
Rapporteur:	Kenya

#### **E. Account of proceedings**

##### **Opening addresses**

9. In his opening remarks, Mr. Getachew Adem, Chairperson of the outgoing Bureau of the Committee of Experts of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development, welcomed participants and thanked the Government of Egypt for its generous hospitality in hosting the Conference. He also thanked everyone for honouring his Government with two consecutive terms at the helm of the Committee. Mr. Getachew commended the Committee for the important role it had played in shaping the policy agenda on key development issues concerning the region.

10. Against the backdrop of the current financial and economic crisis (coming after the preceding year's fuel and food crisis) termed by most as the worst since the Great Depression, he found that the Conference theme of *"Enhancing the effectiveness of fiscal policy for domestic resource mobilization"* was ideal for examining how alternative sources of development finance and fiscal policies could be combined to strengthen national tax systems and improve public expenditure management. While continuing the efforts of market reform and good governance, African policymakers should also advocate the establishment of a better and more stable international financial architecture. He hoped that the Conference would make concrete recommendations in that regard. He also cited several accomplishments of the Committee during the past year and noted that the Government of Ethiopia would continue to support all future efforts of the Committee.

11. In his opening remarks, delivered on behalf of AUC and the United Nations Economic Commission for Africa (ECA), Mr. Abdoulaye Jannet, United Nations Under-Secretary-General and Executive Secretary of ECA, recalled the external shocks that had occurred since the last meeting, including the food and oil price crises of the previous year and the current economic

and financial crisis. All those crises continued to have negative impacts on growth rates, export earnings, official development assistance, trade finance, FDI and other capital flows. He cited the impact of reduced development finance on the attainment of the Millennium Development Goals (MDGs) and highlighted some of the responses to the current global economic and financial crisis, including decisions taken at the meeting of finance ministers and central bank governors held in Tunis in November 2008.

12. Highlighting the significance of the theme of the meeting, the Executive Secretary stressed the need to explore policy options to make up for shortfalls in development finance. He indicated that fiscal policy could bring about structural transformation to ensure a stronger resource base. Hence, the identification of options and sharing of best practices were key challenges of the meeting. Other issues of significance would be the importance of good governance, pursuit of the continent's regional integration agenda, strengthened human and institutional capacity, more trans-boundary cooperation, and the search for global solutions to global problems. In that regard, he called for effective and fair global arrangements that addressed the concerns of African countries. He commended the G-20 meeting for addressing several of the issues raised by Africa in the preparatory process, including gold sales, review of the debt sustainability framework and provision of more capital for multilateral development banks. He also emphasized the need to assess progress in those areas thus far.

13. On the implementation of the ECA work programme for the biennium 2008-2009, the Executive Secretary reported that significant achievements had been recorded in such areas as the publication of knowledge products, consensus-building and technical advisory services. Notable examples of activities were the 2009 Economic Report on Africa, produced jointly with the African Union Commission, and the Mutual Review of Development Effectiveness, produced jointly with the Organization for Economic Cooperation and Development. He noted the launching in March 2009 of the Coalition for Dialogue on Africa (CODA), a joint venture of AUC, the African Development Bank (AfDB) and ECA, which was aimed at advancing Africa's development agenda through inclusive dialogue. He emphasized that the building of partnerships was a core element of ECA work and further stated that such collaboration, including with the AUC, AfDB and the RECs, had been strengthened during the past year and should continue in coming years.

14. Mr. Janneh reported that implementation of the ECA 2007-2009 business plan would be concluded at the end of the year and that work had already begun on the business plan for 2010-2012, whose orientation would be to deepen the strategic focus of the current plan. He indicated that the ECA proposed work programme and priorities for the biennium 2010-2012 would seek to consolidate work in areas of ICT, trade, gender, governance, finance, economic policy analysis, climate change and statistics. He noted that support to member States would also be enhanced. While Africa was facing challenging times, he remained optimistic that the continent had a strong base for better macroeconomic management and improved governance. He said the meeting created a unique opportunity to articulate ideas and policy options that would enable Africa to meet current and emerging challenges.

15. On behalf of the Minister of Finance, His Excellency Dr. Youssef Boutros-Ghali, the Deputy Minister of Finance of the Arab Republic of Egypt, Mr. Hany Kadry Dimian, welcomed participants to the meeting. He said of the meeting was important and that it provided a perfect opportunity for African countries to prepare for the General Assembly high-

level event on the global financial and economic crisis and its impact on development, scheduled to take place at the end of June 2009. The meeting was also an opportunity for Africa to examine policy options for addressing the long-term social implications of the global financial and economic crisis, which included rising unemployment, hunger, poverty, and income inequality, besides expected deterioration in education and health indicators.

16. The Deputy Minister observed that many African countries found themselves constrained as a result of the crisis, with a contracting fiscal space for social policies. Governments were faced with tremendous challenges in protecting social expenditures and providing necessary social services, which were also critical to achieving the MDGs. Addressing the social impacts of the crisis was, therefore, an urgent imperative. To do so, Africa needed a strategic change in vision and a change in the way fiscal policy was formulated. Fiscal policy needed to be more macro-based and to pay greater attention to growth and sustainability. Those actions should be accompanied by greater efforts towards tax reforms to build more effective tax systems, strengthen institutional capacities, and increase investments in infrastructure development through public-private partnerships (PPPs), with assistance from ECA and the African Development Bank. The Deputy Minister concluded his remarks by calling on African countries to speak with one voice in order to ensure that their concerns were reflected in major international processes such as the G-20, and other decision centres. He also called for increased voice and representation for Africa in the various IFIs and country groupings.

#### **Overview of recent economic and social developments in Africa [Agenda item 4]**

17. Under this agenda item, the secretariat introduced a document entitled "*Overview of Economic and Social Conditions in Africa in 2008*" (E/ECA/COE/28/2, AU/CAMEF/EXP/2(IV)). The document highlighted the current global economic trends and their impact on Africa's economic growth. Africa's economic growth had declined from 6 per cent in 2007 to 5.1 per cent in 2008. In spite of that decline, Africa's growth had been underpinned by strong demand and high commodity prices in the first half of the year, sound macroeconomic management and reforms, low official external debt due to debt relief, high external capital inflows, strong performance in some sectors such as agriculture, and general decline in conflicts across the continent. In the context of the global financial crisis and economic recession, Africa faced a decline in trade, commodity prices and export and fiscal revenue, increased cost of borrowing, and falling aid and private capital flows. All that had reduced expected growth to 2 per cent for 2009 and slowed down efforts to alleviate poverty and achieve the MDGs.

18. Concerning trends in social development, poverty and unemployment rates remained high, while progress in education and health targets had been mixed and varied substantially across countries. The proportion of people living under the poverty line had almost doubled. While primary enrolment rates had been improving, school completion was still an area of concern. Furthermore, as a result of extensive and targeted prevention programmes, the HIV prevalence rate had either stabilized or declined in most African countries.

19. Regionally concerted actions to foster economic recovery in Africa would require improved macroeconomic management; the use of accumulated reserves, when applicable, to boost domestic demand; coordinated action by donors and development partners to sustain aid flows; additional debt relief; and adequate concessional financing by international financial

institutions. Furthermore, the focus on achieving the MDGs and on including vulnerable and marginalized groups in development strategies should be maintained.

## **Discussion**

20. In the ensuing discussion, the Committee noted that African countries faced the challenge of translating their growth into meaningful social development, particularly for socially vulnerable groups. It was important for the countries to diversify their economies in order to reduce their vulnerability to external and domestic shocks. The Committee expressed concern over the lack of suitable conditions for achieving high and sustained growth on the continent; the inadequacy and instability of savings rates; the prioritization of public spending; the size of non-discretionary public spending; and the ineffectiveness of tax systems. The Committee noted that remittances had played a major role in boosting incomes and reducing poverty in some African countries.

21. Participants indicated that the State was instrumental in economic and social development because it created conditions for developing the private sector, addressing market failures, mobilizing resources and creating a legal and institutional framework that would enhance public and private sector partnerships to attract FDI flows, especially in the area of infrastructure. Finally, regional integration was important in consolidating efforts to increase Africa's growth and international competitiveness.

## **Recommendations**

22. The Committee made the following recommendations for African countries to accelerate and sustain growth in order to enhance their poverty reduction efforts and progress towards meeting the MDGs:

(a) African countries should continue to improve their macroeconomic environments and to sustain recent reforms in order to create an enabling environment for increased domestic investment. In order to reduce their vulnerability to fluctuations in commodity demand and prices, African governments should design and implement effective industrial policies that enhance value addition, manufacturing and economic transformation. In that context, the Committee urged African countries to speed up the process of regional integration and enhance intra-African trade.

(b) Governments should create a fiscal space and mobilize more domestic resources by improving the efficiency of their tax systems in particular. They should also prioritize public expenditure to build infrastructure and improve public-service delivery, especially in relation to education. Finally, the Committee called on the secretariat to set up a system to track financial flows and remittances to Africa.

## **Assessment of progress on regional integration in Africa [Agenda item 5]**

23. Under this agenda item, through a document entitled "Assessment of progress on regional integration in Africa" (E/ECA/COE/28/7, AU/CAMEF/EXP/7 (IV)), the secretariat gave an overview of the level of integration achieved by the eight regional economic communities (RECs) recognized by the African Union and noted that some progress had been made. The



challenges that the RECs were facing in their efforts to achieve integration included lack of policy commitment by member States and inadequate implementation of the related protocols. In light of those challenges, AUC had been mandated to develop a Minimum Integration Programme (MIP) in order to accelerate the regional integration process in Africa. The MIP had been designed in collaboration with the RECs and adopted by the Fourth Conference of African Ministers of Integration (COMAI IV). There was a need for financing the MIP through a continental integration fund, which would be the subject of a feasibility study to be conducted by AUC and ECA in collaboration with the African Development Bank. Obviously, the success of the MIP would depend on its ownership by all stakeholders and the degree to which it was integrated into national development plans and the programmes of RECs, AU and other development partners.

24. The major achievements in regional integration on the continent included the decision by the Heads of State and Government of COMESA, SADC and EAC to establish a free trade area (FTA). The joint ECA and AUC publication on regional integration entitled '*Assessing Regional Integration in Africa (ARIA)*' was another achievement in the integration process. Various editions of the report had addressed key integration issues such as rationalization of the RECs as well as financial and monetary integration in Africa. The next edition of the report, which also involved AfDB, would focus on intra-African trade. The member States of AMU had decided to create a free trade area and a draft convention in that regard was being prepared by its member States.

## **Discussions**

25. In the ensuing discussions, the Committee noted that, in regional integration, political progress seemed to be trailing progress on the economic front. African countries needed to have a common voice on regional integration and the RECs must play a leading role in that regard. It was observed that bilateral agreements between African and developed countries were often at variance with the stated goals of the RECs, thus compromising progress in regional integration. Furthermore, member States had not sufficiently mainstreamed regional integration into their national development strategies.

26. The Committee noted that several African countries were not fully benefitting from their membership in FTAs for various reasons, including weak productive capacities, poor infrastructure, and trade facilitation inadequacies which made border-post procedures cumbersome. Overall, in the short term, countries that were more developed industrially stood to benefit the most from the integration process. The Committee was informed of AUC efforts to improve and integrate Africa's infrastructure through the introduction of the Programme for Infrastructure Development in Africa (PIDA) that was being developed in collaboration with ECA, AfDB and other development partners.

27. The Committee highlighted the need for ECA and AUC to provide updates on the implementation of resolutions adopted at previous meetings. It was pointed out that there was a need for studies on non-compliance with protocols, including rules of origin. It was felt that inadequate or zero compensation for potential losers in regional integration was also partly responsible for the violation of regional integration protocols as well as policy reversals.

## **Recommendations**

28. Several key recommendations emerged from the discussion:

- (a) Member States and the RECs were requested to:
  - (i) continue to support the “*Assessing Regional Integration in Africa (ARIA)*” series of reports, which provided an assessment of Africa’s integration performance;
  - (ii) take note of the recommendations of COMAI IV, especially those related to the adoption of the MIP and its integration into national development plans;
  - (iii) support the mainstreaming of regional integration issues into national policies to bring greater convergence to national strategies, subregional policies and regional objectives. In that regard, a baseline study to better appreciate national positions vis-à-vis regional integration goals and to ascertain the costs and benefits associated with membership in regional integration arrangements should be accelerated.
- (b) ECA, AUC and other development partners should:
  - (i) Continue assisting the RECs in efficiently implementing multi-year programmes and the MIP, as well as in building their capacities;
  - (ii) continue providing assistance for regional infrastructure development activities; and
  - (iii) support the efforts of African countries to build their productive capacities.

## **Follow-up to major decisions of the 2008 Joint Annual Meetings of the AUC and ECA [Agenda item 6]**

### ***i. African Charter on Statistics***

29. The secretariat presented the status of implementation of the resolution adopted by the 2008 Conference of Ministers on the African Charter on Statistics through a document entitled "Implementation of resolution 859 (XLI) on the African Charter on Statistics" (E/ECA/COE/28/10, AU/CAMEF/EXP/10(IV)). The presentation highlighted the key developments, including the review of the Charter by African Ministers of Justice and its subsequent adoption by the Summit of Heads of State and Government of the African Union in February 2009.

30. The meeting was informed that two studies conducted in 2008 had made recommendations on an implementation mechanism for the Charter and the establishment of an African statistical fund, and that there was an ongoing study on the elaboration of a strategic document on statistical harmonization for regional integration.

## **Discussions**

31. In the ensuing discussion, the Committee welcomed the various activities and initiatives being undertaken in the area of statistical development and encouraged AUC, ECA and other stakeholders to continue those efforts. The Committee underscored the important role of

statistics in policymaking and emphasized the need to provide technical and financial support for statistical development in Africa. Many participants expressed their deep concern that the recommendation on the coordination mechanism proposed in the study could duplicate existing structures, and suggested that the AUC would focus on advocacy on statistical development.

## **Recommendations**

32. In light of the foregoing, the Committee noted with appreciation that some member States had already signed the Charter and called on those which had yet to do so to sign and ratify the Charter so that it could enter into force as soon as possible. The Commission should complete the study on the establishment of a statistical fund as a means of addressing resource constraints for statistical development in Africa. Regarding the issue of an effective implementation of the Charter, the Committee requested AUC, in collaboration with ECA, AfDB, the RECs, the African Capacity Building Foundation and member States, to come up with an effective coordination, monitoring and evaluation mechanism.

### **ii. Climate change and development – Assessment of the Copenhagen Conference**

33. The secretariat presented a report entitled "Progress Report on Climate Change and Development" (E/ECA/COE/28/9, AU/CAMEF/EXP/9(IV)) on the progress made in the development and implementation of the ClimDev-Africa programme and Africa's preparation for the 15th Conference of the Parties to the United Nations Framework Convention on Climate Change to be held in Copenhagen in December 2009.

## **Discussions**

34. The discussions that followed the presentation centred on two main issues: negotiations of climate change agreements; and mobilization of resources to finance climate change adaptation and mitigation strategies. On the negotiation of climate change agreements, the Committee underscored the need for member States to articulate and support a common African position based on their mutual interests. It noted that even if climate mitigation strategies were part of such a common position, it would be in the interest of African countries to focus more on climate adaptation strategies. The Committee also recognized that the weak negotiating capacity of most African countries also prevented them from engaging effectively in climate change negotiations and defending their position.

35. While recognizing the need for mainstreaming environmental and climate change policies into all sectors of the economy when elaborating national development plans, the Committee observed that member States were not taking advantage of existing funding mechanisms in financing such plans. In addition, existing funds such as the Clean Development Mechanism had a bias of funding climate mitigation programmes. That bias favoured the big-polluting developing countries such as China, India and Brazil. The foregoing, coupled with the weak capacity of African countries, were major contributing factors for the low uptake of climate change funds by member States.

36. Regarding the funding of climate change adaptation strategies, the Committee noted that since African countries contributed only a negligible amount to the problem of climate change, it would not be fair for them to bear the brunt of its adverse effects. The developed countries

had an obligation to fund the climate adaptation strategies that African countries would collectively have to implement.

37. Regarding the implementation of resolution 855-XLI on ECA support to ACMAD as well as on strengthening the partnership between the two organizations, the Committee pointed out that a collaborative framework needed to be established.

### **Recommendations**

38. The Committee made the following recommendations:

(a) Member States should articulate and support a common African position developed under the auspices of the African Ministerial Conference on Environment (AMCEN) pursuant to the decision by AU Summit (January 2009) to that effect and use this common position in negotiation of future climate change agreements to reflect their need to implement and finance climate adaptation strategies.

(b) ECA should work with AUC, AfDB, UNEP and other organizations to facilitate the strengthening of the capacity of member States to negotiate climate change agreements and to access existing and evolving environmental and climate change funds.

(c) Effective monitoring and enforcement mechanisms should be established to ensure that environmental and climate change commitments made by the international community relative to member States were met. Therefore, a collaborative framework between ECA and ACMAD Centre should be established as soon as possible.

(d) Member States should continue in their endeavour to mainstream environmental and climate change policy into all sectors of their economies.

### **iii. Review of progress towards achieving the MDGs in Africa**

39. Under this agenda item, the secretariat presented a document entitled "Assessing Progress in Africa towards the Millennium Development Goals, 2009" (E/ECA/ COE/28/8, AU/CAMEF/EXP/8(IV)). The presenter noted that Africa continued to make progress towards meeting the various goals and targets of the MDGs, even though progress was uneven on some goals and varied from subregion to subregion. Some African countries were on track to achieve some of the MDGs, notably universal primary education, gender parity at primary school level, and reducing poverty by half. Among the subregions of the continent, North Africa had made the most progress on the MDGs. However, the slow rate of overall progress in 2009 was a cause for concern. The challenges identified as impediments to Africa's efforts to attain the MDGs included the fuel crisis, the food crisis, and the global economic and financial crisis.

### **Discussions**

40. While welcoming the quality of the report, the Committee expressed concern over some of its aspects, notably sources of data and statistics. Some participants noted that much of the data used in the report was out of date, while others highlighted the usual discrepancies between United Nations data and national data. Concern was also expressed regarding

inadequate reporting of ongoing projects and programmes in the context of the MDGs. The Committee also highlighted the tendency to focus on universal primary education at the expense of the quality of education.

### **Recommendations**

41. In view of the foregoing, the Committee recommended that efforts should be made to improve the generation and quality of statistics regarding the MDGs. Ongoing projects and programmes should be reflected in the reporting of progress on the MDGs and efforts should be enhanced to harness the potential of various partnerships with a view to accelerating progress towards the MDGs.

#### **iv. Report of the 9<sup>th</sup> Regional Consultation Mechanism of United Nations agencies working in Africa in support of the AU and its NEPAD programme**

42. Under this agenda item, the secretariat made a presentation which provided an overview of the Regional Coordination Mechanism established to coordinate United Nations system-wide support to AU and its NEPAD programme. The presenter highlighted the institutional mandates, structure and levels of the Regional Coordination Mechanism and the significant progress made by its nine clusters in providing capacity building and technical support to the African Union and the NEPAD secretariat. The presenter further elaborated on the United Nations Ten-Year Capacity-building Programme for AU as well as the various forms of ECA support to AU and NEPAD, including support to the RCM and APRM processes. Finally, he highlighted some lessons learned and proposed some actions on the way forward, including the need to complete the ongoing integration of NEPAD into AU structures and processes as well as the need to agree on priority areas for enhancing United Nations support to AU and its NEPAD programme.

43. The Committee appreciated the role of the United Nations in coordinating the support to AU and NEPAD. This is an effort clearly aimed at enhancing Africa's development.

#### **v. Presentation of the 2009 report on Mutual Review of Development Effectiveness (MRDE)**

44. The secretariat presented a document entitled "2009 Mutual Review of Development Effectiveness in Africa: Promise & Performance" produced jointly by ECA and OECD. The presenter highlighted the following issues: progress made over the last five years in terms of economic growth and poverty reduction; Africa's efforts to improve governance and mobilize domestic resources for economic growth and poverty reduction; increased aid flows and debt relief; commitments made, especially in the areas of governance and regional integration, to African countries and to improve aid volume and aid effectiveness; and the current economic crisis and its associated challenges.

45. The Committee was informed that the report was published at the onset of the global financial crisis and that it was the result of an extensive collaborative and highly inclusive process between ECA and OECD. The exercise had also involved consultations with various stakeholders from Africa and the wider international community. The Committee was also informed that the report had been very well received by African and international partners.

## **Discussions**

46. The Committee noted that the report had come at a time of change in the systems of monitoring and mutual accountability and global governance, such as the emergence of the Group of Twenty (G-20) process as a key international response to the financial crisis. The Committee underscored the need for these new changes in the international architecture to be reflected in future MRDE reports, including the new commitments coming out of the G-20 process.

47. In order to maximize the impact of the monitoring process, the Committee highlighted the need for future reports to be timely in terms of feeding into the major African and international processes which address the African development agenda, including those of the AUC, the United Nations and the G-20. The Committee underscored the need for future MRDE reports to take into account the human-rights based approach to development. Further commitments that dealt with human rights ought to be included in future MRDE reports.

## **Recommendations**

48. The meeting recommended the following:

(a) The next MRDE report should be published by September 2010 in order to feed into the MDG Review Summit. The MRDE should continue on a two-year cycle thereafter.

(b) Bearing in mind the changing global architecture which reinforces the importance of the MRDE exercise given the new G-20 commitments, there is the need for a fundamental reform of the international financial architecture to ensure that Africa has stronger representation in international decision-making, and to make it more responsive and effective in helping African countries to tackle short-term crises and long-term development needs.

(c) The Committee requested ECA and OECD to continue collaborating in the production of future reports.

## **Presentation and discussion on the theme of the Conference: Enhancing the effectiveness of fiscal policy for domestic resource mobilization [Agenda item 7]**

49. Under this agenda item, the secretariat introduced the document entitled *"Enhancing the effectiveness of fiscal policy for domestic resource mobilization"* (E/ECA/COE/28/4, AU/CAMEF/EXP/4(IV)). The secretariat noted a significant gap between domestic savings and investment requirements in Africa and the need for more domestic and external resources to close the financing gap. The current global financial crisis had led to a decline in external finance and rekindled interest in boosting domestic resource mobilization as a sustainable source of development financing.

50. The key factors underpinning the case for enhanced domestic resource mobilization were outlined. Less volatile than external finance, domestic finance permitted country ownership of development policies and outcomes, reduced reliance on external flows and the risk of the

Dutch disease, created incentives for more accountability and transparency in the use of public resources, and reduced vulnerability to revenue losses from trade reforms.

51. Despite progress in development finance, aggregate savings ratios in Africa were low relative to developing countries' averages. Africa had made progress in boosting its tax revenue and its revenue performance was similar to that of other developing regions. However, there had been a significant decrease in the share of trade taxes in domestic revenue.

52. Fiscal policy had both short- and long-term functions, including macroeconomic stabilization and enhancement of productive capacity. However, it had been largely procyclical in Africa owing to conditions imposed by IFIs, fiscal rules, and political economy considerations. Governments needed to exercise counter-cyclical fiscal policy to mitigate fluctuations in aggregate demand due to exogenous shocks. Key questions in that context related to the use of fiscal policy in response to external shocks such as those arising from the global financial crisis, and in support of African development needs and priorities.

53. The effective mobilization of domestic resources in Africa required increasing public revenue and private savings rates, and enhancing the role of official development assistance. Although economic growth was necessary for domestic revenue mobilization, gaps still existed between tax capacity and tax revenue in several African countries. Fiscal measures were needed to boost revenue collection. They should aim to reduce tax exemptions and incentives for foreign investors, and increase tax rates on immobile factors (land and property) and luxury items.

54. Good governance played a key role in revenue generation as it could increase efficiency and accountability in the use of public resource link tax collection to service delivery; eradicate tax havens; and address issues of stolen assets. Success in mobilizing revenue also required dealing with the external debt problem of Africa. High debt resulted in capital outflows and debt servicing difficulties, and increased vulnerability to external shocks, with adverse consequences for output and revenue mobilization.

55. Boosting private savings required increasing the capacity of households and firms to generate income by creating an enabling environment for private sector development, including increasing public investment in infrastructure and strengthening domestic financial systems.

56. While Africa needed aid in the short to medium term, aid was more likely to support the long-run development objectives of African countries if it was directed towards boosting capacity for domestic resource mobilization. In that regard, aid allocation should place more emphasis on promoting infrastructure and enhancing productive capacities. Donors might opt for a matching-funds approach to aid allocation, whereas some recipient countries could decide to manage their capital accounts in order to stem capital flight.

## **Discussions**

57. In the ensuing discussion, the Committee commended the secretariat for the comprehensive and insightful study and presentation, noting that domestic resource mobilization required a shift in mindset from dependence on donor support to internally

generated revenue as a long-term goal. However, domestic resource mobilization and external resource mobilization should not be treated independently in policy formulation as they were intertwined. Aid remained critical for some African countries to bridge the gap between domestic savings and national investment needs.

58. The Committee highlighted the importance of macroeconomic stability for economic growth, which in turn was necessary for effective domestic resource mobilization. The role of government was particularly important during significant fluctuations in economic activity, such as those associated with the current world financial and economic crisis. In such a context, governments must adopt fiscal and monetary policies to stimulate domestic demand and mitigate the impact of the crisis. Moreover, the Committee reaffirmed that governments had a key role to play in creating an enabling environment for private sector development, including identifying growth sectors and promoting private sector investment in such sectors. That could be done in the framework of industrial and sectoral policies that addressed various constraints to domestic investment and created opportunities for PPPs.

59. Some participants expressed concern over the vulnerability of African economies to external shocks and the lack of appropriate policy tools to strengthen their resilience in the face of economic crises. That called for the diversification of sources of production and income and better management of the reserves accumulated during the commodity boom. It was noted that some resource-rich African countries were better prepared to address the challenges posed by the recent crisis because they had been able to accumulate reserves, and that some countries had created stabilization funds to guarantee their medium-term financial stability.

60. The Committee noted that there was room for African countries to increase tax revenue, even though there were key constraints to revenue collection. Those constraints included institutional weaknesses, inadequate human capacity, lack of political will and the high cost of tax collection. Consequently, gaps existed between tax capacity and actual revenue generated, especially in post-conflict countries, which were characterized by weak economic institutions.

61. Some delegates outlined the institutional reforms and measures taken by their governments to improve tax administration and increase revenue collection. They included new institutional arrangements for effective public finance management; decentralized fiscal policies; streamlined tax policies and unified tax rates; new mechanisms for the enforcement of tax laws; and fresh incentives for compliance with tax laws. Some countries had established innovative mechanisms such as performance-based contracts between their revenue collecting agencies and their Ministries of Finance. The Committee stressed the important role of good economic governance in enhancing public finance management and tax compliance.

62. It was observed that improving natural resource management could go a long way to assist many resource-rich African countries to mobilize more domestic resources and become self-reliant over the long run. Natural resource exploitation contracts often offered tax incentives and conditions that could result in an unfair distribution of revenue when the economic circumstances changed. That notwithstanding, some African countries had improved resource sector management through the ratification and domestication of relevant international codes and standards.



63. In that context, the introduction of medium-term expenditure frameworks (MTEF) could help countries to harness domestic resources to finance public investment and promote transparency and accountability, especially in expenditure and service delivery. MTEF, as a result-based approach, could help governments to allocate public resources to their strategic priorities, and ensure overall fiscal discipline.

64. The Committee also pointed out that increasing the flow of household savings through formal channels would enhance domestic resource mobilization and utilization. In many African countries, household savings were mainly held in the form of physical assets outside the financial system because of lack of adequate incentives and limited access to modern banking and savings institutions.

65. The Committee also discussed the possible impact of macroeconomic convergence criteria adopted by some regional economic communities on the pro-cyclical or counter-cyclical nature of budgetary policy.

66. Given the important role of the informal sector in African economies and its potential contribution to domestic resource mobilization, the need to formalize the sector was acknowledged. Providing an institutional framework and incentives for informal businesses to enter the formal sector could help government to generate more tax revenue. However, informal businesses would choose to register and join the formal sector on the condition that such a move would improve their chances of survival, growth and access to resources.

67. The Committee reaffirmed the need to raise tax revenue on physical assets and highlighted the challenges involved in that regard. In many African countries, property registration was too costly, making it difficult for government to tax physical assets. One way to address those challenges was to introduce reforms to facilitate property registration.

68. While real investment required long-term savings, the Committee noted that short-term savings were dominant in Africa, which was attributed to, among other factors, the lack of adequate financial institutions, including pension funds and deposit insurance. Banking and financial services in Africa were generally limited to urban centres and failed to cater for the diverse needs of savers and investors, especially in rural areas.

69. In the context of the current financial crisis, the Committee expressed concern over the slow flow of remittances as African immigrants lose their jobs. Despite the high unemployment rates as a result of the global economic recession, the Committee underscored the need for developed countries to exercise restraint in reviewing their immigration and labour market policies to ensure fair treatment of African immigrants. At the same time, African countries were urged to carefully assess how remittances could be used to foster domestic investment and growth. Currently, remittances were mostly channelled through unofficial means and primarily used to finance consumption.

70. Finally, the Committee expressed concern over the impact of capital flight and embezzled funds on efforts to mobilize domestic resources. There was therefore a need for improved global governance to increase transparency in capital flows, combat capital flight and recover embezzled assets.

## **Recommendations**

71. The Committee made several recommendations aimed at enhancing the effectiveness of fiscal policy for domestic resource mobilization in Africa. In particular, it called on African governments to focus on long-term strategies to promote growth and expand the tax base. To that end, they should identify growth sectors and promote private sector investment in such sectors by, among other measures, deepening reforms to encourage registration of firms.

72. More specifically, the Committee recommended that:

(a) African governments should introduce innovative mechanisms to improve tax collection and management, including institutional reforms to strengthen the link between revenue mobilization and public expenditure, and enhance transparency and accountability;

(b) African governments should explore ways of formalizing the informal sector, taking into consideration the principle of equity and fair taxation, including registration and taxation of property and physical assets;

(c) African governments should strengthen their financial systems and provide incentives for long-term savings, including effective mobilization of remittances for development financing;

(d) Donors should direct more official development assistance to build capacity for domestic resource mobilization through increased investment in infrastructure and productivity-enhancing services;

(e) African governments should work with development partners to combat capital flight and recover embezzled assets held outside Africa;

(f) Resource-rich African countries should improve the management of natural resources and ensure that contracts for the exploitation of natural resources are fair and do not undermine the mobilization of domestic resources. They should also create stabilization funds to guarantee their medium-term financial stability;

(g) AUC and ECA should undertake studies on how African countries can reduce the cost of collecting taxes and improve coordination between fiscal and monetary policies for effective domestic resource mobilization; and

(h) There should be better coordination between member States and the secretariat to ensure data accuracy and consistency.

## **Statutory items [Agenda item 8]**

### **i. Presentation and consideration of the ECA Annual Report, 2009**

73. Under this agenda item, the secretariat presented the *ECA Annual Report, 2009* (E/ECA/COE/28/13) highlighting the main achievements during the period between May 2008 and May 2009. The work of ECA during the period was twofold. First, it was aimed at consolidating activities and achievements in the context of the ECA repositioning, which had started in 2006. Second, it consisted of scaling-up assistance to member States, AUC and the RECs in strengthening regional integration, meeting Africa's special needs, and achieving poverty reduction and sustainable development based on ten sub-programmes: trade, finance and economic development; food security and sustainable development; governance and public administration; information and science and technology for development; subregional activities for development; development planning and administration; statistics; and social development.

74. The presenter provided a summary of the progress achieved during the reporting period, with consolidation of key activities and results initiated through the ECA repositioning exercise. The achievements cited had been more transparent for all the stakeholders due to the use of a result-based management (RBM) framework and appropriate indicators of success.

75. The presenter highlighted several accomplishments, including the organization in November 2008 in collaboration with AUC and AfDB of the Sixth African Development Forum in Addis Ababa where the issues discussed had included financing for gender equality, ending violence against women, and gender statistics. With respect to trade, the support provided to RECs to assist in international trade negotiations was cited. ECA had also organized, with AUC and AfDB, a Ministerial Conference on the financial crisis and its impact, provided analytical and technical support to the Committee of 10 Ministers of Finance and Central Bank Governors; and provided technical inputs to Africa's position for the April G-20 Summit in London.

76. The secretariat reported that ECA activities were instrumental in implementing the African Peer Review Mechanism (APRM), as ECA had provided advice to the APRM Panel and secretariat on the implementation of review processes. With regard to information and communication technologies (ICTs), ECA had organized in Addis Ababa, from 28 April to 1 May 2009, the first session of the Committee on Development Information, Science and Technology. The value added and relevance of the recently strengthened subregional offices (SROs) to ECA activities was also underscored, especially the implementation of multi-year programmes and other activities undertaken jointly with the RECs.

## **Discussions**

77. During the ensuing discussion and in its response to certain issues raised by participants, the secretariat emphasized the critical importance of quickly filling the newly created posts and consequently decreasing the current overall ECA vacancy rate and recognized the special circumstances facing the least developed countries (LDC) and the Landlocked developing countries (LLDCs) in their development. It was further stated that the review of the Brussels Programme of Action for LDCs in the context of the Fourth United Nations Conference on

LDCs to be held in 2011 should be appropriately reported. Equally, human rights and gender mainstreaming into training programmes were recognized as genuine development concerns already being addressed by ECA.

## **Recommendations**

78. Key recommendations emerging from the discussions were:

(a) Member States should improve their involvement in and ownership of SRO activities, particularly through appropriate-level representation in their respective Intergovernmental meetings and Intergovernmental Committees of Experts (ICEs);

(b) Member States should take note of the ongoing recruitment campaign and assist ECA in its efforts to recruit from the under-represented countries to quickly fill the new posts allocated by the General Assembly; and

(c) UNECA and the other development partners should endeavour to revive the United Nations Trust Fund for African Development (UNTFAD) in order to assist member States and the RECs in the implementation of their development plans and regional integration activities.

79. Finally, the Committee commended the secretariat for the quality of the presentation and for the creation of new posts by the General Assembly of the United Nations and took due note of the report.

## **ii. Report of the Fourth Conference of African Ministers of Integration**

80. In presenting this item, the secretariat informed the meeting that the Fourth Conference of African Ministers of Integration had taken place in Yaoundé, Cameroon on 7 and 8 May 2009 on the theme "*Partnerships and Integration in Africa*". It was reported that, in addition to adopting the Minimum Integration Programme (MIP) as a dynamic strategic and continental framework for the integration process, the Ministers had reviewed the main partnerships Africa was engaged in with the rest of the world and considered ways and means of making them more relevant to Africa's integration and socio-economic development needs. The presenter highlighted some of the key recommendations of the Conference, including the need for Africa to rationalize its approach to its partnership engagements; the need to put greater emphasis on domestic resource mobilization; and the need for AUC to enhance existing mechanisms dedicated to the coordination of partnerships.

81. The secretariat explained that the presentation had been for information purposes only and that the objective had been to inform Finance Ministers about decisions taken by Ministers in charge of Integration, given that some of those decisions also bore relevance to the activities of Ministries of Finance.

**iii. Report of the meeting of legal and finance experts on the statutes of the proposed African Investment Bank**

82. The secretariat presented the document entitled "Report of the meeting of legal and financial experts on the draft statutes of the African Investment Bank held in Tripoli, Libya from 11 to 13 May 2009" (AU/CAMEF/EXP/17(IV)), and outlined the main recommendations of the meeting. It also indicated that, with regard to recommendation concerning the subscription to capital of the Bank by member States, the other scenarios had been developed taking into account GDP and average gross national income (GNI) over three consecutive years.

83. Following the presentation, the Committee of Experts raised a number of concerns, including:

- a) Terms and conditions for the distribution of the start-up capital;
- b) Privileges and immunities pertaining to the headquarters and subsidiaries of the Bank;
- c) Voting rights prorated according to capital subscription;
- d) Alignment with AfDB and other existing African financial institutions;
- e) Partnership with AfDB, IMF and the World Bank.

84. An informal committee made up of a few member States (Algeria, Cameroon, Egypt, Libyan Arab Jamahiriya, Nigeria and South Africa) met and proposed amendments to the statutes to the Committee of Experts. Following the discussion on those amendments, the Committee of Experts, after adding a provision on annexes to be drafted subsequently and presented for validation by experts of the member States before being submitted to the extraordinary session of CAMEF scheduled for November 2009, agreed to submit the draft text to the Conference of Ministers for review and adoption. Those annexes would concern mainly the capital subscription formula and table, voting rights and determination of the basket of currencies to be used as the unit of account that would serve as the official currency of the Bank.

**iv. Implementation of the first Plan of Action of the Africa-EU Joint Strategy**

85. Under this agenda item, a representative of AUC presented document AU/CAMEF/EXP/18 (IV) entitled "Implementation of the Africa-EU Joint Strategy and First Action Plan".

86. The presenter highlighted some of the key milestones in the Africa-EU Dialogue, the new strategic framework, the process leading to the adoption of the Africa-EU Joint Strategy and the first plan of action, and gave an overview of the implementation architecture. Also highlighted were some of the achievements so far in the implementation of the Joint Strategy, which included the endorsement of the implementation architecture, the formation of eight joint expert groups (JEGs) and the development of draft implementation road maps. Among the challenges highlighted by the presenter were the lack of stakeholder involvement, inadequate capacity of the JEGs to deliver, inadequate financial resources and the slow rate of implementation.

87. The Committee took note of the report and stressed the need for both the African and EU sides to commit adequate technical, financial and human resources to the implementation of the Plan of Action. The need to include more African stakeholders in the work of the JEGs was also highlighted as was the need to respect the one-Africa principle agreed in the Joint Strategy document.

**v. Report of the recently launched Coalition for Dialogue on Africa (CODA)**

88. The secretariat presented a note to the Committee on the Coalition for Dialogue on Africa (CODA) which was formally launched in Addis Ababa on 6 March 2009. The Committee was informed that CODA was a joint initiative by the African Union Commission, the African Development Bank and the Economic Commission for Africa to provide an independent forum for free discussion among State and non-State actors in order to influence the African development agenda. Unlike the Big Table that it had replaced, CODA was completely African-owned and based in Africa; the secretariat of CODA was based at ECA headquarters in Addis Ababa and was supported by ECA and AfDB. The operations of CODA were guided by an independent advisory board headed by H.E. Festus Mogae, former President of the Republic of Botswana.

89. The Committee took note of the presentation and welcomed the launching of this new initiative.

**vi. ECA proposed programme of work and priorities for the biennium 2010-2011**

90. Under this agenda item, the secretariat made a brief presentation using document E/ECA/COE/28/15 entitled, “*ECA proposed programme of work and priorities for the biennium 2010-2011*”.

91. In preparing the proposed work programme, the secretariat had been guided by the ECA repositioning and the Secretary-General's report on enhancing the role of the subregional offices. The programme was structured around ten sub-programmes: trade, finance and economic development; food security and sustainable development; governance and public administration; information and science and technology for development; subregional activities for development; development planning and administration; statistics; and social development. The programme prepared in line with the results-based management (RBM) principles would enable ECA and its member States to monitor progress and measure results based on predefined performance indicators and benchmarks.

92. The Committee appreciated the secretariats' efforts in preparing a well-structured work programme and proposed the endorsement of ECA programme of work.

**vii. Consideration of the report of the First Congress of African Economists on Regional Integration**

93. Under this agenda item, a representative of AUC presented a document entitled “*Report of the First Congress of African Economists on Regional Integration*”. The First Congress was held in Nairobi, Kenya, from 2 to 4 March 2009 under the theme “*Towards the Creation of a*

*Single African Currency*”. The Congress brought together African economists and researchers to discuss topical economic, political and social issues as they relate to Africa’s integration in order to propose measures for accelerating the integration process. An important outcome of the Congress was a recommendation to institutionalize a regular forum for discussion on integration issues in Africa.

94. The Committee took note of the report and proposed that future congresses should also cover other areas of integration such as human and social development, in addition to economic issues.

**viii. ECA report on the repositioning of the African Institute for Economic Development and Planning (IDEP)**

95. Under this agenda item, the Deputy Executive Secretary of ECA, Ms. Lalla Ben Barka, on behalf of the Executive Secretary, introduced document E/ECA/COE/28/14 entitled, *“Report on the repositioning of the African Institute for Economic Development and Planning (IDEP)”*. The report was prepared in response to resolution 858 (XLI) adopted by the forty-first session of the Economic Commission for Africa (ECA) in April 2008, requesting the ECA Executive Secretary, in his capacity as Chairperson of the Governing Council of IDEP, to take steps to alleviate the immediate financial difficulties of the Institute and elaborate a plan for its repositioning .

96. The Committee was informed that a resource mobilization campaign undertaken by the Executive Secretary to put the Institute on a more secure financial footing had started to yield encouraging results, as some member States were beginning to meet their financial obligations to the Institute. The Deputy Executive Secretary also informed the Committee of the appointment of a new Director for the Institute as part of the repositioning efforts embarked upon by the ECA Executive Secretary. The new Director is Mr. Adebayo Olukoshi, a renowned scholar and development researcher.

97. Mr. Olukoshi made a brief presentation and broadly outlined the new vision and strategic orientation of the Institute. Key elements of the new orientation included measures being taken to revamp the training programmes of the Institute to make them more relevant to the needs of member States, with particular focus on promoting and nurturing indigenous capacities for a new development paradigm in Africa. In this regard, the Institute would explore the use of appropriate information and communications technologies to deliver its training and capacity-building programmes in order to bring the services of the Institute closer to its clients and undertake tailor-made programmes to ensure that they reached a wider audience. Partnerships with relevant research and training institutions and centres of excellence, including other ECA Divisions and United Nations agencies, will also be pursued.

98. A full report on the repositioning of IDEP is expected to be finalized for presentation to the next Conference of Ministers in 2010 after consultations with relevant stakeholders across the continent.

## **Discussions**

99. In the ensuing discussions, the Committee reaffirmed the mission and core mandate of the Institute, particularly with the resurgence of planning as a critical function in many African States. Moreover it was noted that several development training institutes had emerged in Africa in recent years. In that connection, the Committee underscored the need for the ongoing review to firmly establish the niche and comparative advantage of IDEP as a major centre for applied policy research and training in Africa.

## **Recommendations**

100. The Committee welcomed the updated report on the repositioning of IDEP and endorsed the steps taken to date to rebuild the finances of the Institute, renew its leadership, and revamp its programmes. The Committee also welcomed the new Director of the Institute and extended its support and cooperation to him. It endorsed the broad vision for the renewal of IDEP presented to the Committee. The Committee further encouraged the leadership of IDEP to continue the consultative process for the speedy completion of the repositioning of the Institute, including the innovative measures proposed for financing and revamping the programmes of the Institute.

101. The Committee noted with appreciation the contribution made by member States to date and called upon those who had not done so to support the repositioning process of the Institute.

## **Any other business [Agenda item 9]**

102. No issue was raised under this agenda item.

## **Consideration and adoption of the draft report of the Committee of Experts and draft resolutions [Agenda item 10]**

103. Under this agenda item, the Committee considered the draft report of its meeting (as contained in document (E/ECA/COE/28/L, AU/CAMEF/EXP/Draft/Rpt (IV))), together with eight draft resolutions for consideration and adoption by the second Joint Annual Meetings of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development. Several delegations made comments and observations and proposed amendments to the report. After constructive discussions by participants, the Committee adopted the present report, together with the eight draft resolutions, attached as annex, as amended for consideration by the Conference of Ministers.

## **Closing of the meeting [Agenda item 11]**

104. The Deputy Executive Secretary of the ECA, Ms. Lalla Ben Barka, made brief closing remarks on behalf of the Executive Secretary, Mr. Abdoulie Janneh. She expressed her satisfaction with the deliberations and thanked the participants for their contribution to the discussions. She underscored the importance of the theme of the Conference and expressed the hope that the recommendations and outcomes of the meeting would provide a basis for



effective policy making in enhancing domestic resource mobilization in support of Africa's development. In addition, she noted that this was the second year in a row that the AUC and ECA had successfully organized the joint meetings of their statutory bodies, which further strengthened the collaboration between the two institutions.

105. In his closing remarks, Dr. Maxwell Mkwezalamba, Commissioner for Economic Affairs of AUC, congratulated the secretariat of ECA and AU for a very successful meeting. He also expressed his appreciation to the Chairperson of the Bureau for the orderly and timely manner in which he conducted the meetings. He reviewed some of the issues discussed by the Committee, including regional integration, the statutes of the African Investment Bank, and the theme of the Conference. He urged the meeting to provide support the processes of regional integration in Africa, particularly the Minimum Integration Programme of AUC. Furthermore, he expressed appreciation for the support shown by the Committee for the African Investment Bank and assured the meeting that the AUC would work with member States to finalize the statutes for establishment of the Bank.

106. In his closing remarks, the Chairperson of the Committee, Mr. Hany K. Dimian, Deputy Minister of Finance of the Arab Republic of Egypt, thanked all the participants for their active contribution to the discussions. He noted that the discussions had been substantive and constructive as evidenced by the proposals and recommendations made. He also commended the Committee for the diversity of views expressed, which he observed, reflected the commitment to find solutions to common development challenges that African countries faced. He added that he was impressed with the range of ideas and proposed policy measures for boosting domestic resource mobilization.

107. Finally, the Chairperson thanked the secretariat for the hard work in preparing and servicing the meeting. He then declared the meeting closed.