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**Second Joint Annual Meeting of the AU Conference of Ministers of  
Economy and Finance and ECA Conference of Ministers of Finance,  
Planning and Economic Development**

*Cairo, Arab Republic of Egypt  
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**DRAFT REPORT OF THE SECOND JOINT ANNUAL MEETING OF  
THE AU CONFERENCE OF MINISTERS OF ECONOMY AND  
FINANCE AND ECA CONFERENCE OF AFRICAN MINISTERS OF  
FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**

## **Introduction**

### **A. Attendance**

1. 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 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. 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, 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 (ADB), 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 State (OHRLLS), Office of the Special Advisor on Africa (OSAA), Joint United Nations Programme on HIV/AIDS (UNAIDS), 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, 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, Arab African Business (AAB), Bank of Central African States (BEAC), European Union (EU), Japan International Cooperation Agency (JICA), League of Arab States (LAS), NEPAD Secretariat, Organization for Economic Cooperation and Development (OECD), and the United States Mission to the African Union.

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

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 resources mobilization*
  - Implications of the global financial and economic crisis for Africa's long-term development
  - Fiscal policy and domestic resources 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 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

### **Election of the Bureau**

7. 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

## **C. Account of proceedings**

### **Opening of the Conference**

8. 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 severe, as it turns into a human and development crisis. The priority for African countries was therefore to contain the adverse impact of the crisis on growth and poverty, while preserving the hard won gains of recent years, including macroeconomic stability.

9. 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 sources like remittances, export and commodity demand, aid and capital flows. The Conference would, therefore, provide an opportunity to examine alternative sources of development finance, including improving macro-economic 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.

10. 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 effectively mobilize domestic savings. In this regard, the Minister noted that ODA would continue to remain important in the mix of options for financing development in Africa, and called for promises already made to significantly increase aid flows to Africa to be urgently met. He further noted that the international financial institutions had a crucial role to play in providing more, better and faster financing to help protect investments in health and education, and in stimulating African economies and creating jobs through infrastructure and trade finance.

11. In his opening remarks, Mr. Abdoulie Janneh, 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.

12. Mr. Janneh 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 will 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.

13. 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 Africa 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 G20, into concerted action and additional resources, including going beyond existing commitments to help Africa meet its increased financing needs. Fourth, the Executive Secretary also stressed the need to accelerate reforms of the international financial architecture, including the governance of international financial institutions to amplify Africa's voice and representation in these processes.

14. 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 G8 meeting in Italy as well as to the next G20 Summit.

15. In his opening remarks, Dr. Jean Ping, Chairperson of the African Union Commission, 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 the AU Commission, ECA and the African Development Bank in Tunis in November 2008; the creation of the Committee of Ten (C10), and Africa's participation in the London G20 summit. These meetings have underscored the need for Africa to adopt a common position and speak with one voice in responding to the crisis.

16. The Chairperson of the AU Commission 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.

17. 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 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 to access official development assistance.

18. 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 his 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 consistent high growth rates of over 5 percent 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.

19. The Minister 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.

20. 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. In this regard, the Minister welcomed the recent decision of the IMF to double its concessional lending capacity to African countries and revising its lending instruments to make them more flexible and responsive to the financing needs of African countries. The Minister 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 increased domestic debt burden.

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

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

22. 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 a 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.

23. 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.

24. 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 countercyclical 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.

25. 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 G20 Summit.

26. 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***

27. 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.

28. 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***

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, 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 percent in 2009, from an average of 5.5 percent in 2008, which is significantly lower than the 7 percent annual growth rate required for the attainment of the MDGs.

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 current efforts to improve global economic governance mechanisms. In addition, African countries should take this opportunity to reinforce regional economic integration, enhance infrastructure development, 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*

29. 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 foreign direct investment, and rapidly falling migrant remittances, were seldom in a position to undertake countercyclical fiscal policies due to a lack of fiscal space. Developed countries should, therefore, take into account the financing needs of low income and vulnerable countries in formulating their recovery strategies to allow them sufficient space for countercyclical policy measures and promote more equitable and stable growth in the world.

30. 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, international financial institutions such as the African Development Bank should be strengthened and recapitalized to enable it 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 the 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*

31. Mr. Jomo Kwame Sundaram, Assistant Secretary-General of the UN Department of Economic and Social Affairs 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 expected 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.

32. On the social dimensions of the crisis, the Assistant Secretary-General highlighted, in particular the impact on employment and poverty. He cited recent 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.

33. 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*

34. 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 last year, which could, in turn, put the 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, therefore, was to increase investment in agriculture to at least 10 per cent of public expenditure as agreed by 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*

35. Mr. Leonce Ndikumana, Research Director at the African Development Bank, 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.

36. Regarding the global and regional responses to the crisis, including the recent commitments by the G20, and the expanded financing facilities of the IMF and other multilateral development banks, Ndikumana observed that Africa may 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 for Africa to benefit and take advantage of the additional resources pledged by the G-20, there was a need for a review of the debt sustainability framework, alignment of external financing with national development needs and increased voice and representation for Africa in international processes. This should be complemented by measures to significantly enhance domestic resource mobilization, including continued support to broader regional integration agenda and intra-African trade.

#### *Discussions and recommendations*

37. 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.

38. 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, therefore, 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.

39. 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 countercyclical fiscal policies when necessary.

40. 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 is 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.

41. 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 international financial institutions, 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 UN to take a stronger leadership role on the matter, building on its convening power and inclusive membership.

42. On the issue of trade, the Conference called on all countries to play their part in rejecting protectionism by ensuring that their borders remained 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.

43. 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***

44. 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 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*

45. 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.

46. The presentation highlighted some 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 countercyclical fiscal policies to cushion the effects of the crisis, enhanced domestic resource mobilization to reduce vulnerability and dependence on external finance, and direct more ODA towards building capacity for domestic resource mobilization.

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

47. 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 percent and 1.7 percent 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.

48. 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 international financial institutions 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*

49. 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 need 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 is to ensure that aid did not facilitate unintended consequences that could undermine tax structures and key institutions of recipient countries.

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

50. 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 honored 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.

51. Noting that excessive inflow 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*

52. Mr. Martin Khor, Executive Director of the South Centre outlined proposals on 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 worsened in a majority of developing countries. He underscored the need for appropriate national, regional and international policies to address the crisis.

53. 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 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 crisis and address commodity market risks.

*Discussions and recommendations*

54. The discussion focused on many of issues addressed by the panelists, including the factors and policies required for enhancing domestic resource mobilization. In particular, the discussions 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, a low tax base because of the large size of the informal economy. The discussion reaffirmed that structural transformation and economic diversification were necessary components of any strategy for breaking out of the vicious circle of low savings and enhancing domestic resource mobilization in Africa.

55. The discussion noted that the IMF had introduced general as well as specific data dissemination standards after the previous financial crisis 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 discussion 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.

56. The Conference underscored the importance of countercyclical 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.

57. The Conference noted that the world would recover from the current financial and economic crisis just as it did 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 compliment Africa's internal revenue efforts in the short to medium term.

58. The following recommendations emerged from the discussion: importance of vision and 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 encourage investment in rural areas.

59. The discussion also underscored the need for African Governments to adopt active countercyclical 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.

60. The importance of good governance and economic management, including effective institutions were also underscored as key to effective resource mobilization. In this regard, the Conference called for enhanced commitment and measures to reduce corruption, stem capital flight and 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)**

61. Under this agenda item, a press event was organized to launch the 2009 edition of the Economic Report on Africa (ERA), jointly published by the AU Commission 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 serves two important functions. First, it tracks Africa's economic and social performance in the previous year within the global context. Secondly, the report makes policy recommendations and suggestions for the future management of African economies.

62. Mr. Janneh informed the Ministers that the theme of ERA2009 was on agriculture, and said that the focus on agriculture was necessary as it was an 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.

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

64. The African Union Commissioner for Economic Affairs, Mr. Maxwell Mkwezalamba, commended the enhanced collaboration between ECA and AU, as evidenced by the joint preparation of the Economic Report on Africa. 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 on African economies. He further stated that African countries had given the AU Commission 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 the AU Commission for their hard work and expressed sincere hope that the report would contribute to economic policy-making in member States.

65. 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 percent compared to 5.1 percent 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, a projected decline in

capital inflows to Africa, including aid, foreign direct investment 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 the 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 US \$50 per barrel. However, as oil prices were now closer to US \$70 per barrel, the situation could deteriorate further for some countries.

66. 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 US \$33 billion of agricultural products, compared to the US \$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 and financial services; and forward linkages by processing outputs.

67. 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 industrialisation, 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)**

68. 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; 2009 report on Mutual Review of Development Effectiveness. The Committee also considered and made recommendations on a number of statutory issues related to the effective functioning of the AU Commission and the ECA.\*\*\*Should I add couple of sentences to highlight these issues: such as the Investment Bank; ECA Programme of Work etc?????????

69. 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 are fair, equitable and create minimal disincentives for economic efficiency, and initiate tax reforms, including widening the tax base and progressively integrating the "informal" sector into the mainstream of the national economy.

70. 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 the adoption of a resolution on the statutes and requested the AU Commission to undertake further work on the annexes with legal and finance experts of the member States before submission to the extraordinary session of the AU Conference of Ministers of Finance and Economy (CAMEF) scheduled for November 2009, for adoption.

71. 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*.

72. 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 sub-regional 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.

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

**Any other business (Agenda Item 7)**

74. No issues were raised under this agenda item.

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

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

76. 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 include an introductory part and nine sections, covering the following: Financial and economic crisis; Domestic resources 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.

77. In considering the draft Ministerial Statement, the Ministers commended the Rapporteur and the secretariat for 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 through full guidance of the Chairperson they highlighted specific issues requiring 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 G20; stemming of capital flight, in connection with domestic resource mobilization; and in addition to domestic resource mobilization, request for fulfilment of donor commitments. After explanation offered by the secretariat regarding pending finalization of the conditions and legal issues governing African Investment Bank, and in spirit of cooperation both delegates seeking further amendments to the draft Statement withdrew their observations and proposed amendments.

78. 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)**

79. 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 and for their insightful contribution to the deliberations of the Conference, which clearly demonstrated their leadership and commitment to addressing Africa’s development challenges. He said 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 was both insightful and inspiring. He said it was important to ensure that the outcomes of the Conference fed into other important processes such as the next G-8 Summit 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.

80. 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), and 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. He thanked all the panelists and the secretariat for their hard work and contribution to the success of the Conference.

81. In his closing remarks, Dr. Maxwell Mkwezalamba, Commissioner for Economic Affairs of the African Union Commission commended the Ministers for their commitment and the actionable recommendations they made on 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, and assured the Ministers that AU Commission and ECA will 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 the establishment of the Bank in light of the current financial and economic crisis.

82. 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 noted that Africa is a rich continent with vast potentials 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.

83. 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 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 the hospitality shown to all delegations attending the Conference. He noted that 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.

84. The Chairman then declared the meeting closed.