

Communiqué
Meeting of African Ministers of Finance
Tunis, 22 – 23 November 2005

A consultative meeting of African Ministers of Finance, hosted by the African Development Bank, was held in Tunis (Tunisia) on 22-23 November 2005. The meeting was organized to chart the actions required for the rapid implementation of the major initiatives underway, including those that arise from commitments of the international community in 2005 in support of Africa's development. The meeting was attended by Ministers of Finance and Economic Development from African countries. It was also attended by the Executive Secretary of the UNECA, the Chief Executive of NEPAD Secretariat as well as representatives of SADC, BCEAO, BCEAC, CEMAC, COMESA, ECCAS, UEMOA, the International Monetary Fund, and the World Bank.

The meeting was opened by Mr. Donald Kaberuka, President of the African Development Bank Group and was chaired by H.E. Seydou Bouda, Minister of Economy and Development of Burkina Faso and the Chairman of the Board of Governors. Welcoming statements were also made by the Minister of Finance of Tunisia and the Executive Secretary of ECA.

President Kaberuka reviewed developments in Africa and highlighted reasons for being optimistic: maintained growth; improved governance; reduced conflicts; strengthened governance and democratic processes; and improved openness and transparency. He welcomed the renewed commitment of the international community in support of Africa's development, including the Report of the Commission for Africa, the G8 debt cancellation initiative, the UN Millennium Summit +5, and the establishment of the Africa Infrastructure Consortium.

He stressed the importance of African countries deepening the gains in economic performance through continued pursuit of sound and prudent economic policies. He called on partner countries to deliver on their commitments to scale up resources required to address the challenges facing the continent. He emphasized the substantial resource needs of the continent, particularly in infrastructure. This would enable African countries to achieve the desired growth of at least seven to eight percent and accelerate progress towards the MDGs.

Ministers discussed the following agenda:

- Multilateral Debt Relief Initiative;
- “Pan -African Needs Analysis”: Framework for coordinated implementation and follow-up;
- Oil price increase; and
- Doha Trade and Development Round.

Multilateral Debt Relief Initiative

Ministers affirmed their support for the proposed Multilateral Debt Relief Initiative. They welcomed the pledge to maintain the financial integrity of ADF, which would provide additional financing to low-income African countries.

Ministers expressed concern that the modalities for the multilateral debt relief have yet to be clearly defined. In particular, the choice of cut-off and implementation dates and the coverage of debt obligations falling due needed to be clarified. They called on donor countries not to impose additional conditionalities, and to ensure that the coverage of the multilateral debt initiative does indeed lead to a 100 percent cancellation of debt outstanding and disbursed, including debt owed to the non-concessional ADB window. The Ministers indicated their preference for a cut-off date of December 2004 and an implementation date of January 1, 2006.

Ministers welcomed the commitment made at Gleneagles for the doubling of ODA and suggested that such additional resources should be predictable and prioritized for projects recommended within the NEPAD project pipeline. They stressed that such additional funds should not be offset against other initiatives, like technical assistance, humanitarian assistance and debt relief.

They called for the need to improve the debt sustainability framework, taking into account domestic debt and external shocks dimensions. They urged the international community to look into the possibility to include non-HIPCs regional member countries facing special economic difficulties to benefit from debt relief. They urged the international community to address the urgent financing needs of countries coming out of conflict. Ministers invited the ADF to closely coordinate with IDA and the IMF to ensure effective delivery of the multilateral debt relief.

In that regard, Ministers also committed themselves to improving systems of transparency and accountability in the use and management of public funds.

Pan-African Needs Analysis: Framework for Coordinated Implementation and Follow-up

Ministers recognized the challenges facing the continent to ensure development effectiveness as international aid is scaled up. They welcomed the establishment of the Infrastructure Consortium for Africa; the secretariat of which is hosted by the Bank. They reaffirmed the importance of infrastructure to the development of the continent and expressed the importance of a framework for coordinated implementation and follow-up.

Ministers welcomed the establishment of the Pan-African Infrastructure Development Fund as a mechanism to direct African savings for investment in Africa.

Ministers stressed the need for countries to strengthen their planning functions to create a platform for effective development of key projects. They underlined the necessity to improve the implementation capacity, maintain a sound enabling environment to attract both domestic and foreign private investment into infrastructure development. They further stressed the need to include regional infrastructure development in their national plans and prioritize them in their budgets. They called for a better coordination at the country and regional levels to ensure that priority projects and programs are identified, implemented and maintained, with due attention to the size of operations.

Ministers expressed concern about poor project implementation capacity, as evidenced by slow disbursement for many Bank funded projects. Further, there was strong support for improving project design and management systems, and the need to for active steps to attract and retain skills

and professional expertise. There was strong support for large well-planned projects at national and regional level funded by the Bank.

In the context of the NEPAD project pipeline, there was agreement that the Regional Economic Communities should take visible ownership and establish implementation task teams. Further, Finance Ministers agreed to be more directly involved in commitments to implement those projects, which are within national boundaries.

Within the framework of scaling up of resources, the Bank will play a key role in mobilizing additional resources, including from the private sector. They stressed the need for the Bank to expand the capacity of the NEPAD Infrastructure Project Preparation Facility and develop appropriate and flexible financing instruments that match the needs of African countries. They also urged the Bank to develop its capacity to be a centre for knowledge on African development issues.

Oil Price Increase

Ministers discussed the sharp rise in oil prices and noted that it affected oil exporting and importing countries differently. They stressed the importance of oil exporting countries prudently managing the resources gained from higher oil prices.

Ministers expressed concern about the adverse impact of the oil price increase on net oil-importing African countries. They noted that, as a result of soaring oil prices, oil-importing African countries are facing balance of payments problems, rising deficits, higher inflation, increased energy and transport costs, and difficulties in economic management. It has also become more difficult for these countries to meet the MDGs.

Ministers stressed the need for international financial institutions to extend support to oil-importing countries to meet unanticipated financing needs stemming from higher oil prices. In this regard, they proposed that the special oil fund be considered. They also called upon major oil companies to use part of their windfall gains from the higher price of oil to make voluntary contributions to an oil fund to help African countries absorb the shock and support African development efforts.

Recognizing that the current high price of oil could be long lasting, Ministers expressed the need to adjust their economies and reduce their vulnerability to oil price volatility. They urged African countries to use fiscal mechanisms, where appropriate, to reduce the adverse impact of high oil prices. They also urged countries to develop alternative sources of energy, including hydro power and other renewable resources as well as increase energy efficiency. Investments are also needed to increase the oil refinery capacity on the continent.

Doha Trade and Development Round

Ministers recognized the importance of a more open global trading system for enhancing growth and employment prospects in Africa. They urged for a faster dismantling of trade barriers and elimination of trade distorting subsidies, especially in agriculture, to broaden trade opportunities

for African countries. They also urged countries to remove the impediments for expanding regional and South-South trade. Ministers also called for an intensification of efforts at regional economic integration for African countries to take advantage of the economies of scale afforded by wider regional markets. They expressed the importance of enhanced dialogue between the ministers of finance and ministers of trade to ensure that trade issues are mainstreamed in PRSPs and national development plans.

With respect to the current Doha Round of negotiations, they stressed the need for the continent to speak with a concerted voice, learning from the experience of its participation in the Cancun meeting. They emphasized the need for countries to remain engaged in the process and undertake regular consultations, with a view to having a common African position.

They urged the international community to preserve the development perspective of the ongoing multilateral trade negotiations under the Doha Round. Ministers observed that African countries needed to be supported in building their capacity to negotiate and called on the AU, ADB and UNECA to provide the required support in a coordinated manner. Ministers recognized that African countries needed to develop the capacity to export and benefit from trade liberalization, taking advantage of aid-for-trade. They also noted that some African countries would be adversely affected by the transition to a more open trade regime. They called upon international financing institutions to provide a special facility to support countries to cope with the costs entailed by trade liberalization, and to design programs aimed at boosting export capacity.

In preparation for the expected liberalization of trade in services, Ministers stressed the need for African countries to strengthen their regulatory frameworks. In view of the importance of remittances in terms of net financial transfers to African countries, Ministers also highlighted the need to have trade in labour services to be given greater consideration in the Doha Round.

Conclusion

Ministers welcomed the opportunity afforded by this Meeting to discuss important current development issues affecting African countries and expressed satisfaction at their deliberations. Ministers thanked the African Development Bank for organizing this meeting in collaboration with the UNECA and the NEPAD Secretariat. They expressed satisfaction at the participation of other regional economic organizations, as well as representatives of the World Bank and the IMF.

Ministers welcomed the ongoing institutional reforms at the Bank aimed at increasing its operational effectiveness and responsiveness to the needs of its member countries to assist countries and regional economic organizations in strengthening their capacities to implement projects and programs.

Ministers recognized the importance of strengthening coordination between the Bank, AU, NEPAD Secretariat and Africa's regional economic organizations. In particular, they called for the reinvigoration of the Joint Secretariat of the African Union, the Economic Commission for Africa and the African Development Bank.

Ministers urged the international community to live up to its full commitments in the aid delivery and to also ensure the predictability of resources for the African countries.

They called upon the Bank and all development partners to address the special problems faced by post-conflict countries, as well as by land-locked and island economies by developing assistance and financing modalities and instruments better tailored to the difficulties of these economies.

Ministers agreed to meet on a regular basis. The next meeting being within six months at a date and place to be determined.

Ministers thanked the people and Government of Tunisia for the warm hospitality.