



Economic Commission for Africa

**Eighth Session of the Conference of
African Ministers of Finance**

**Statement on the High Level
Intergovernmental Event on
Financing for Development**

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21-22 November 2000
Addis Ababa, Ethiopia

We, the African Ministers of Finance, having met at the 8th Session of our Conference, under the auspices of the United Nations Economic Commission for Africa, from 21 to 22 November 2000 at Addis Ababa, Ethiopia, resolved as follows:

Preamble

1. We are convinced that the UN remains the most universal forum for dialogue on international cooperation for development and in this regard applaud the special consideration accorded to Africa in the Millennium Declaration adopted by the United Nations General Assembly. We believe that given the importance of financial issues in the development of our region, the High-Level International Intergovernmental Event should be accorded the status of an *“International Conference on Financing for Development”*.
2. Our Conference took place against the backdrop of the regional preparations for the High-Level International Intergovernmental Event on Financing for Development (FfD). In this context, and in order to make use of the High-Level Regional Consultative Meeting for the International Intergovernmental Event, a preparatory meeting for the Third United Nations Conference on LDCs has also taken place, which brought together experts from our governments, African private sector and civil society organizations to discuss the issues on the agenda of the Intergovernmental Event on Financing for Development. We have taken into account the outcome of the African High Level Regional Consultative Meeting.
3. We have also taken note of the fact that the Preparatory Committee of the High Level Intergovernmental Event on Financing for Development has agreed on a preliminary agenda which includes mobilizing domestic financial resources for development; mobilizing international resources for development (foreign direct investment and other private flows); trade; increasing international financial cooperation through inter-alia ODA and debt relief; and addressing systemic issues (enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development). The agreed agenda of the FfD contains issues that are central to the development of Africa – issues on which we have expressed our views in our Ministerial Statement issued on 8 May 1999 at the end of the Joint Conference of Ministers of Economic and Social Development and Planning and Ministers of Finance held in Addis Ababa. This Statement builds on and updates our views in the 1999 Ministerial statement.

Purpose

**Agenda of the
Preparatory
Committee of
FfD**

4. We noted with interest the enhanced cooperation between the UN and the Bretton Woods Institutions (BWIs). The engagement of the World Bank at the technical and intergovernmental levels is particularly appreciated, and the contributions of the World Trade Organization (WTO) are very encouraging. The High-Level Intergovernmental Event on Financing for Development offers an important opportunity for the development of coherent approaches for financing development, supportive of efforts of Africa and other regions to meet their development challenges. We urge the BWIs and the WTO to remain engaged in the next stage of this process and we also urge the Executive Board of the IMF to respond to the FfD Bureau's invitation to engage in the intergovernmental discussions on FfD matters. We look forward to the convening of the FfD final event in a developing country and express the desire that the event will mark the beginning of a process of deepening on-going dialogue among multilateral trade and development institutions, under the auspices of the United Nations on both the inter-governmental and secretariat levels.

**Participation
of the
Multilateral
Trade and
Development
Institutions**

5. We reaffirm that long-term economic growth and sustainable development, with poverty reduction as an important objective, remains the overarching goal of development in Africa. These objectives require sustained high rate of savings, investment and growth, notably in the key development sectors in Africa. We call upon the International Community to speed up the creation of a Global Solidarity and Poverty Alleviation Fund as adopted by the 36th meeting of the OAU Summit of Heads of State and Government (June 2000) with a view to achieving the set objective of reducing poverty by half by the year 2015. To achieve this target, African economies would need to grow by about 7 to 8 percent annually and would require an estimated investment /GDP ratio of 25 per cent from the current 19 per cent per annum. In this regard, we welcome the new development focus of the multilateral financial institutions, particularly on poverty alleviation.

**Growth and
Development
for Poverty
Reduction**

6. Domestic savings, should be the main source of domestic investment. To this end, ways and means must be found to retain domestic savings. We reaffirm our commitment in our 1999 Ministerial Statement to strengthen thrift institutions and incentives, to reinforce macro economic stability and financial market reforms, and to carry out financial deepening through institutional reforms, innovative and flexible financial savings, and prudent interest and exchange rate policy management. However, despite significant policy reforms encompassing these areas in our countries, current levels of savings and investment are too low to ensure broad based sustained

**Domestic
Resources
Mobilization**

and equitable growth in the region. Significant external support will be needed to accomplish this goal.

7. We underscore the important contribution of official development assistance for Africa in terms of strengthening government's ability to make long-term investments that are vital for private-sector-led growth. In view of the specificities of the African economies, effective aid enables key public investment programmes in infrastructure and human resource development to be carried out in a non-inflationary manner.
8. We note with serious concern the much-reduced level of official development assistance, at a time many of our countries have embarked on concerted economic and financial reforms. In order to ensure that the momentum is maintained with regard to the reform measures initiated by many African countries, it would be imperative for the Organization for Economic Cooperation and Development (OECD) countries to honour the agreed level of ODA target of 0.7 per cent of GDP.
9. We recognize that aid is more effective when a conducive enabling environment has been created. Such an environment includes, among others, right policy conditions, effective coordination of ODA, proper targeting and ownership of the processes. Only then can aid be more effective in promoting growth and alleviating poverty.
10. We recognize the importance of fostering a new donor-beneficiary relationship in which multi-donor programmes will focus on an African-driven agenda.
11. We welcome further improvements that have been made to the Heavily Indebted Poor Countries (HIPC) Debt Relief Initiative. However, as evidence has shown, the majority of heavily indebted poor countries in Africa have as yet to see tangible debt relief from the HIPC Initiative. We, therefore, call on our development partners for further restructuring of the HIPC Initiative to provide deeper, broader and faster relief, with greatly relaxed eligibility criteria, greatly shortened periods required to benefit under the initiative, and substantially greater resources. We note the commitments that have been made to extend the HIPC Initiative to twenty countries, and urge for inclusion of more African countries. We urge urgent action to realize these commitments as soon as possible. We call on the Bretton Woods Institutions and the donor community to take into account unforeseen problems like terms of trade deterioration, as part of the HIPC eligibility criteria.

**Mobilizing
International
Resources:**

**Official
Development
Assistance**

**Africa's Debt
Burden**

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12. We also call on our development partners to provide a debt servicing "moratorium", including accrued interest, in order to allow African countries to find durable solutions to their debt problems. We further call on the donor community to seriously consider the idea of referring the issue of the sustainability of Africa's debt to an *independent body* composed of eminent persons conversant with financial, social and development problems. Such persons would be selected by mutual agreement between creditors and debtors, with creditors committing themselves to considering cancellation of such debt as are deemed unplayable.
 13. We call on the G-7 donors to take the lead, within the bilateral donor family, by agreeing to complete cancellation of the debts arising from bilateral aid for the poorest countries. We wish to reiterate that debt relief for the poorest countries should not be provided at the expense of ODA funding for development programmes and projects in these and other developing countries.
 14. We are of the view that exceptional debt relief should be provided for post-conflict countries, particularly those with protracted arrears. We believe that the concept of such countries in crises may well need to be expanded to include countries in post-conflict, countries in on going conflict as well as those adversely affected by conflict situations and/or by serious natural and other disasters.
 15. While we recognize that the highly indebted poorest countries are the priority for the international community's debt relief efforts, we are also cognisant of debt problems of middle income countries and non-HIPC countries that need to be addressed. We recommend that middle income and other countries not benefiting from the HIPC initiative should be taken into consideration in the thinking on African country indebtedness and be integrated in international initiatives favouring heavily indebted countries. Such countries should also be accorded expanded access to debt swap and conversion facilities on more generous terms.
 16. While recalling the objective set by African countries at the Extra Ordinary Session of the OAU Summit held at Syrte, in the year 2000 concerning the cancellation of the African debt, we reaffirm the need to plan for the immediate future, ways of expanding the application of the Cologne Initiative to all African countries grappling with excessive foreign debt. Similar treatment should be extended to those African middle income countries whose

economies are stagnating because of the debt overhang and the issues of external

debt addressed within the framework of an equitable international financial system organized on the basis of active partnership.

17. We are concerned that a number of low-income and middle-income countries in Africa that will not benefit from the HIPC initiative and nonetheless saddled with both significant external and domestic debt which have negative consequences for development. We call for serious consideration of this problem in the context of debt relief programmes.
18. An important development that has accompanied globalisation and liberalisation has been the significant expansion of international capital flows. Globalisation has not only resulted in international liberalisation of markets for goods and services, but also a significant liberalisation of financial markets. We note, however, that Africa has not been a major beneficiary from the dramatic increase in global foreign financial flows that have taken place during the last two decades, even though many African countries have embarked on serious trade and financial sector reforms in order to attract foreign direct investment.
19. We reiterate our commitment to work with our development partners to eliminate those factors that inhibit FDI flows, including maintenance of supportive macroeconomic environment, increased liberalisation of markets and trade regimes, improvements in regulatory framework and facilitation of business activities. Many of these countries are making concerted efforts to improve their economic fundamentals, and a number of investment funds have emerged to promote investment in Africa. We stress, in this regard, the importance of publicly supported instruments for leveraging private investment flows to Africa, especially in productive sectors.
20. We note that at the international level various proposals have been made on how to strengthen or reform the present

international financial architecture to prevent a re-occurrence of further crises, to respond and resolve them quickly, and strengthen institutional mechanisms to best support stable global financial markets. We urge developed countries to coordinate economic and financial policies in order to maintain stability of exchange rates of major currencies and ameliorate the negative impact of exchange rate volatility

on export earnings, and overall economic performance, of African economies.

Private Capital Flows

21. Also central to the debate are issues relating to international coordination of economic and financial policies, in an environment of increased inter-dependency of economies. A key element in the crisis response and resolution debate is the contentious issue of how to strengthen the international-lender-of-last-resort function, while addressing the moral hazard issue and

ensuring that the private sector shares appropriately in the risks.

22. A specific concern for African countries, is how to accommodate the legitimate needs of the poor developing countries for development finance in the new financial architecture and in an environment of volatility in trade, finance and capital markets.
23. We reaffirm the proposal for the creation of a special international fund designed to facilitate the establishment and restructuring of African enterprises with a view to enabling them to improve their competitiveness and to withstand globalization. Such a fund should be used to mitigate the social cost of structural adjustment as it affects businesses in our countries.
24. We recognize the need for both the liberalization and the institutional strengthening of capital markets, but “the pace and content of liberalization should be aligned with the ongoing process of strengthening the prudential, supervisory regulations as they apply to financial institutions and to their corporate customers, especially the more highly leveraged ones. Capital account liberalization, for countries that select this approach, should be properly sequenced, taking into full account individual country circumstances.” Furthermore, countries should be allowed to pursue exchange rate policies that are consistent with their development goals. In this respect, there is need to provide instruments for capacity building in Africa.
25. We are of the opinion that there is need for a serious dialogue on the issue of governance of the international financial system. The basic problem today is the exclusion of a large number of developing countries, especially from Africa, from the decision-making process of the international financial system. Such a dialogue invariably would need, *inter-alia*, to include a review of the respective roles of the Bretton Woods Institutions, such as reconsidering their governance structures, provide a greater voice to developing countries, and customize their programmes to the needs of developing countries.

26. The broad objectives of Africa's participation in multilateral

al trade negotiations and the WTO have been to: enhance trade benefits for Africa, including those arising from special schemes granted by developed countries; secure a fair and balanced system of rights and obligations within the WTO; support efforts for the strengthening of supply capacities of African economies; and urge the WTO to provide flexibility in the use of appropriate policy instruments to enhance the process of structural transformation of African economies and assist in the effective integration of African countries into the multilateral trading system; and facilitate the accession of non member African countries into the WTO.

27. Furthermore, in the framework of multilateral trade negotiations, Africa's objectives, have been to improve market access for products and services of export interest to African countries; the need to prioritize implementation issues; removal of imbalances and inequities in the Uruguay Round Agreements and the WTO; the need for transparency in the decision-making process of the WTO; the need for an international trade environment that will advance our regional integration objectives. We are convinced that many of the issues we raised at the Seattle WTO Ministerial Conference remain valid. We recommend in this regard early consideration of the need to extend duty free and quota free privileges to products of critical interest to African countries. We are convinced that Africa's integration into the Global Trading System will be greatly facilitated by donor support for Africa's on-going regional cooperation and integration efforts aimed at creating larger regional market. We urge the international community to provide necessary assistance to revamp and strengthen regional economic groupings in Africa. African countries are also convinced that better management of the negative effects of drought conditions could enhance their capacities for effective participation in the global markets for primary products.
28. The utilization of many preferential schemes introduced in the past decades by developed countries that were intended to help African countries in integrating into the global trading system has been less than satisfactory due to a number of factors. Furthermore, the implementation of the special and differential measures in favour of African and Least Developed Countries contained in the Final Act of the Uruguay Round, especially in the Marrakech Declaration and Ministerial Decisions, has fallen short of expectations. We call on our development partners to make good on these commitments.

29. The heavy
reliance of

African economies on primary products, combined with the decline in Africa's share of world markets for its main exports as well as the declining relative importance of these products in world trade, have largely contributed to the decrease in the continent's share of world trade. In this regard, commodity dependence has also resulted in Africa's export earnings being more volatile due to volatility in commodity prices.

Commodities and Africa's Development

30. The decline in the terms of trade of Africa is also related to the shifting nature of global production. In this respect, we call on our development partners to support our efforts to strengthen our productive capacities in order to improve overall factor productivity and competitiveness of our economies, diversify our production and export base as well as in dealing with the negative impacts of declining terms of trade.

31. We underscore the importance of taking measures for improved policy coherence in the areas trade, finance and development, including through dialogue among policy makers and the key multilateral institutions, facilitated by the United Nations.

Improved Policy Coherence

32. We recognize that the Least Developed Countries have the primary responsibility for finding solutions to their development problems, nonetheless the international community, particularly the developed countries, must complement the efforts of these countries by *inter alia*:

Special Measures for LDCs

- ◆ Redesigning of aid programmes, especially the full implementation of earlier commitments regarding concessional ODA flows in favour of LDCs, such as 0.15 to 0.20 per cent of GNP as ODA;
- ◆ Complete debt cancellation for LDCs with heavy external debt burden and to release resources for their human and social development; in this connection we are of the view that every effort should be made to amply fund the HIPC initiative and make it accessible to the LDCs on a more timely and preferential basis and free from other conditionalities;
- ◆ Quota-free and duty free market access for all products exported by the LDCs;
- ◆ Assistance and strengthening capacity building of the LDCs to address supply-side constraints, including infrastructure and institutions; and
- ◆ Increased FDI flows to LDCs in strategic sectors of their economies within the framework of co-operative arrangements that involve governments and the private sector.

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33. We have proposed further measures to improve the situation of the African Least Developed Countries in a separate statement for the Third United Nations Conference on the Least Developed Countries.
34. We recognize, too, that all African countries should benefit from further measures to enhance ODA flows, to strengthen capacity building to address constraints, to encourage higher FDI flows, and ultimately to provide duty free and quota free access to markets of developed countries.
35. We pledge the commitment of our Governments for serious dialogue at the High Level Intergovernmental Event on FfD. We also stress our commitment to be actively engaged in the Preparatory Process of the FfD by the participation of the appropriate departments of our governments in a coherent manner. We also call on our development partners to rededicate themselves to support Africa's development in the interest of the common advancement of humanity.

**Measures in
Favour of
Non-LDC
African
Countries**

**A Call for
Strengthened
Partnership**

Done at Addis Ababa, Ethiopia, on 22 November 2000