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**AU CONFERENCE OF MINISTERS
OF INDUSTRY (CAMI)
NINETEENTH ORDINARY SESSION
27 – 31 MARCH 2011
ALGIERS, PEOPLE'S DEMOCRATIC
REPUBLIC OF ALGERIA**

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**REPORT
MEETING OF SENIOR OFFICIALS
27 – 29 MARCH, 2011**

**REPORT OF THE NINETEENTH AU CONFERENCE OF
MINISTERS OF INDUSTRY (CAMI 19)**

I. Introduction

1. The 19th Ordinary Session of the AU Conference of Ministers of Industry (CAMI-19) was held at Senior Officials' level at the Palais des Nations, in Algiers, People's Democratic Republic of Algeria from 27 to 29 March, 2011. It was chaired by Algeria.

II. Attendance

2. The meeting was attended by the following Member States: Algeria, Angola, Bénin, Botswana, Burkina Faso, Burundi, Cameroon, Comoros, Republic of Congo, Chad, Egypt, Ethiopia, Equatorial Guinea, Gabon, The Gambia, Ghana, Guinea , Guinea Bissau, Kenya, Lesotho, Liberia, Malawi, Mali, Mauritius, Mauritania, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Saharawi Arab Democratic Republic, Sao Tomé and Príncipe, Seychelles, Somalia, Swaziland, Sudan, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

3. The following Regional Economic Communities (RECs), international organizations, financial institutions and private sector representatives also participated in the meeting: the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC), the West African Economic and Monetary Union (WAEMU), the African Union Planning and Coordinating Agency (AU/NEPAD), the United Nations Economic Commission for Africa (UNECA), the United Nations Industrial Development Organization (UNIDO), the African Development Bank (AfDB), ECOBANK, the World Bank the Pan-African Chamber of Commerce and Industry (PACCI), and the West African Pharmaceutical Manufacturers Association..

III. Proceedings

Agenda Item 1: Opening of the Meeting

Welcoming Remarks by Dr. Henni Abderazak the Secretary General of the Ministry of Industry, SMEs and Investment Promotion, Republic of Algeria

4. In his welcoming remarks, the Secretary General of the Ministry of Industry, Small and Medium Enterprises and Investment Promotion, welcomed the choice of Algeria to host the 19th Session of CAMI. He perceived this choice as not only a sign of confidence from CAMI Member States, but also an honour and a responsibility for Algeria as the host country. He encouraged the participants to make appropriate recommendations, in line with the Action Plan for Accelerated Industrial Development of Africa (AIDA).

5. He concluded by highlighting Algeria's readiness to place its expertise and technological experience at the service of the Continent's industrialization process.

Remarks on behalf of Mr. Abdoulie Janneh, Executive Secretary, UNECA

6. In his opening remarks, delivered on behalf of the Director of the Economic Development and NEPAD Division of the UNECA, Dr. Ndubisi Nwokoma, Chief of Finance, Industry and Investment, welcomed delegates and expressed his appreciation to the Government of Algeria for hosting CAMI-19. On behalf of the Executive Secretary of the UNECA, he underscored the importance of the partnership among UNIDO, AUC and UNECA in various undertakings designed to address Africa's development challenges, in general, and in the organisation of CAMI 19, in particular. He called for continued collaboration to contribute towards unlocking Africa's productive capacity, and enhancing productivity and the export of high value goods. He expressed UNECA's belief that, given its vast natural resources potential, Africa could develop in a similar way to Asia. He deplored the negligible share of Africa's industrial output on the global scale and the lack of meaningful structural economic transformation from agro-based economies.

7. Reflecting on the impacts of the 2008/2009 financial crisis, he observed that the crisis amplified Africa's need to develop its productive capacity and markets. A stronger South-South cooperation was identified as a strategy that could cushion the Continent against the adverse impacts of economic development trends in the West. In closing, the Director outlined the key aspects of the three roundtables on the agenda and urged delegates, in discussing these issues, to remain cognizant of the opportunities offered by globalization and to develop concrete recommendations to assist African countries to overcome challenges in these areas.

Remarks on behalf of Dr. Kandeh Yumkella, Director General of UNIDO

8. In delivering his remarks, on behalf of the Director General of UNIDO, Dr. Massata Cisse, the Chief of Africa Programme extended appreciation to the host country for its generosity in the organization of the Conference. He recalled the unique structure of AIDA as well as its three operational components (a Resource Mobilization Strategy, Monitoring and Evaluation Framework, and Steering Committee architecture). He underlined that AIDA was a comprehensive and flexible

roadmap into which new areas such as pharmaceutical industries could be easily accommodated. He expressed the hope that the deliberations on financing and resource mobilization for AIDA would yield productive insights.

9. He informed the meeting of some on-going AIDA initiatives, such as the industrial upgrading and modernization programme in ECOWAS and WAEMU, the Global Environment Facility (GEF) programme for access to renewable energy and energy efficiency in Africa, and the Egyptian Government's scholarship programme for technology development and capacity building. He added that other new initiatives were also under development.

10. He stated that the deliberations of CAMI-19 were expected to facilitate the process for the implementation of AIDA and reiterated that UNIDO would continue to provide the necessary technical assistance for that purpose in line with its core competences and in keeping with its mandate as the UN specialized agency responsible for industrial development, and the AU-UNIDO Memorandum of Understanding (MoU).

Remarks by Mr. Hussein H. Hussein, Acting Director of Trade and Industry, AUC

11. The Acting Director of Trade and Industry of the African Union Commission thanked the Government and people of the People's Democratic Republic of Algeria for hosting the Conference and for the generous hospitality extended to the delegations. He gave an overview of the efforts made over the last two years to comply with Member States' recommendations on the finalization of the Strategy for the Implementation of the Plan of Action for Accelerated Industrial Development of Africa (AIDA). He commended the effective Chairmanship of South Africa in the outgoing CAMI-18 Bureau and thanked UNIDO and UNECA for their technical support in finalizing the Strategy.

12. He recalled that African leaders had taken a number of initiatives to accelerate Africa's industrial development but that there was still a long way to go, which required sustained efforts on the part of States and partners. He added that the African leaders adopted AIDA and its implementation strategy to be implemented over a specific timeframe. All partners should lend their support to this major programme which provides for over fifty cross-sectoral projects.

13. He recalled that following a request made by the Ministers at the 18th Session of CAMI, held in Durban, South Africa in 2008, the African Union Commission, in collaboration with UNIDO, prepared documents as annexes to AIDA, which were submitted to RECs for consideration and enrichment. He indicated that the improved documents would be reviewed before final consideration by the Ministerial Conference.

Statement by Outgoing Chair of CAMI Bureau, South Africa

14. In her capacity as outgoing Chair of the Bureau, the representative of South Africa welcomed all delegations to CAMI-19 and thanked the Government of Algeria for the excellent facilities placed at the disposal of the Conference. She also thanked UNIDO for its outstanding partnership, and UNECA and AUC for continued commitment to Africa's industrialization.

15. She recalled the theme of CAMI-19 “Enhancing the Competitiveness of African Industries through Increased and Improved Value Addition” and underlined Africa’s goal which is to break the challenge of minimum value addition. She finally called on the meeting to ensure that implementable action plans are developed in each sector under discussion at the present meeting.

Agenda Item 2: Election of the New Bureau

16. Following consultations within the regions, the following Member States were elected to the Bureau:

- **Chair** : Algeria (North Africa)
- **1st Vice-Chair** : Uganda (East Africa)
- **2nd Vice-Chair** : Gambia (West Africa)
- **3rd Vice-Chair** : Malawi (Southern Africa)
- **Rapporteur** : Republic of Congo (Central Africa)

17. South Africa, as outgoing Chair of the Bureau of CAMI-18, will participate in the activities of the Bureau as ex-officio member.

Agenda Item 3: Adoption of the Agenda and Organization of Work

18. In considering the Draft Agenda, the meeting suggested that, in the future, an item should be added on the implementation of previous decisions. Note was taken and thereafter the agenda was adopted without amendment.

19. The meeting then adopted the following hours for its work:

Morning; 09.00 – 13.00
 Afternoon: 14.30 – 18.00

Agenda Item 4: Round table on Agro Industries

Theme: “Adding Value to Commodities through Agribusiness Value Chain Development: the Africa Agribusiness and Agro-industries Development Initiative (3ADI)”

20. The first presentation on the panel discussion, centred on the Agro-Industry Sector. It was noted that Africa’s contribution to global trade is minimal and characterized by export of commodities, low levels of Intra-Africa trade, low export complementarities, a business environment characterized by high transaction costs and other barriers that discourage investments. The presentation further highlighted low value addition and productivity in the African Agro Industry Sector. Some of the constraints in the sector include inadequate market regulation and infrastructure, low institutional capacities, and poorly designed industrial strategies.

21. To address some of the challenges, the presentation proposed the development of regional value links, development and strengthening of private-public partnerships and the creation of a conducive business environment that promotes innovation and improves profitability. In addition, there is a need to strengthen linkages between the Agri business sector and the packaging industry to boost exports, and design capacity building programmes that improve the productivity of the sector.

22. The second presentation centred on 3ADI. The latter calls on the executing partners to accelerate the development of agro-industries sectors that ensure value addition to Africa's agricultural products; support a well-coordinated effort to share knowledge and harmonize programmes in ways that capture synergies, avoid fragmented efforts, enhance developmental impacts; and support an investment programme that will significantly increase Africa's proportion of agricultural produce that is transformed into differentiated high-value products.

23. The presentation further pointed out that the Abuja Declaration of March 2010 recommended four critical areas of assistance: enabling policies and public goods; value chain skills and technologies; post-production institutions and services; and reinforced financing and risk mitigation mechanisms.

24. The presenter notified the meeting that by August 2010, a pilot phase under the initiative had identified one or two key agricultural commodities in liaison with the local authorities, and in line with national strategies in ten African countries. Each product forms the basis of a detailed value chain analysis that maps out the creation of economic value at all steps of economic activity, from resource to market. The guiding principles of the programme are: a focus on Least Developed Countries and vulnerable communities for wealth creation and food security; a strong emphasis on immediate action over research and meetings; on the mobilization of resources (public and private finance, technology, market access, technical assistance); on national and global partnerships; and a reliance on private enterprise as the engine of development.

25. The selection of countries and agro commodities is as follows: DR Congo—cassava, oil palm; Sierra Leone—cashew nuts and ginger; Tanzania—red meat, cashew nuts; Comoros—fruit and vegetables; Sudan (North)—leather; Sudan (South)—rural livelihood development for food security; Nigeria—cassava, rice, livestock; Liberia—fruit and vegetables, rice; Madagascar—bio-silk and bio-honey; Ghana—cotton; Rwanda—livestock, milk. The next steps will be an expansion of the programme to new countries, and a stronger role in fostering regional exchanges and cooperation amongst African countries.

26. The third presentation focused on the national strategy for the development of Agribusiness in Algeria that was initiated in 2007, and is aimed at promoting endogenous growth. Under this strategy, which includes a national funding mechanism and the establishment of the agro business observatory, Algeria expects to reinforce the capacity of its agro industry by the year 2014. The strategy comprises six strategic options and eighteen priority actions aimed at promoting a collective response between government and private sector.

27. The fourth presentation under this session was made by the representative of UNECA on "An Integrated Regional Value Chain Approach to Agro-Industry development in Africa". In his presentation he noted that the agriculture sector in Africa contributes 25-35% of GDP and about 60% of employment and it is the main source of income in rural areas. The sector is however isolated from other economic sectors and poorly linked to regional and global markets.

28. The presentation further highlighted the importance of developing integrated agricultural product value chains for strategic commodities in Africa. He noted that value chain development in Africa faces challenges that include fragmented markets,

lack of competitiveness, threats from globalization, poor infrastructure and poor technology dissemination. For example, the poor industrial capacity of the African cotton value chain is a direct result of the export orientation for raw cotton of the sector and weak regional integration. It is estimated that in the WAEMU region processing twenty five percent of local cotton production will generate fifty thousand jobs.

29. Three possible strategic approaches for promoting value chains in Africa were highlighted: comprehensive planning approach, participatory workshop-centred-tools approach; and incentives for private-sector-driven projects approach. In developing policies for promoting regional value chains, policy makers should ensure that value chain development is a part of the Comprehensive Africa Agriculture Development Programme (CAADP). The focus of such policies should be on filling regional gaps in production and trade for strategic food and other agricultural commodities and strengthening regional coordination of trade policies, standards and certification procedures as well as regional infrastructure development.

30. In the discussions that ensued, participants made the following observations:

- Africa suffers from a lack of productive and technological capacities to develop a sound agro industry sector and encounters obstacles to the free movement of capital. It also faces strong competition from multinational companies;
- There is need for linkages between the 3ADI and the Arusha Plan of Action on Commodities;
- There is an emerging trend in Africa where land is being leased to production of Agro-competing production such as biofuels, thereby crowding out food production resulting in food insecurity;
- There is need to involve the private sector, and national and regional financial institutions in the mobilization of domestic resources for innovation and research and development as well as regional infrastructure development;
- Objective factors that are obstacles to the development of agro-industries and prevent the successful implementation of many programmes should be identified.

31. After the discussions, the meeting came up with two types of recommendations:

- i. General recommendations
- ii. Operational recommendations

General recommendations:

- i. Encourage full participation of Regional Economic Communities in the implementation of 3ADI , taking into account existing regional agro-industry development programmes;
- ii. Pursue the study carried out jointly by AUC, FAO and ECA on the cost of hunger. The study should help Africa address malnutrition which affects children under the age of five;

- iii. Define the modalities for integrating regional financial institutions into 3ADI implementation ;
- iv. Encourage the reduction of the proportion of land for biofuel production in Africa and its reallocation to crop cultivation;
- v. Develop regional cooperation among countries.

Operational recommendations:

- i. Promote an Inter-African Information System for AU Member States and African operators;
- ii. Develop a CAMI IAA website aimed at:
 - promoting regional added value chains based on existing complementarities among African States;
 - identifying industrial partnership projects and establishing a database of trade opportunities among African countries;
 - creating a database of African agricultural products used in the processing industry.
- iii. Establish fora for consultations and promotion of regional products through the organization of regional fairs;
- iv. Create a *Regional Integration Award* at the level of the African Union Commission to recognize leading enterprises which are actively involved in building regional value chains and fostering integration;
- v. Establish a UNIDO funded Agro-Industry Observatory, the headquarters of which could be in Algiers.

32. Give preference to African operators in the award of procurement contracts by African States.

- Give preference to African operators in calls for tenders made within the framework of public procurement contracts; establish an African Compensation Fund to enable States to offset the extra costs generated as a result of preference given to African operators while complying with national procurement rules.

Promote trade and taxation

- Encourage the creation of regional value chains for strategic products through tax advantages and other incentives: reduced import duties for regional products, higher cap to direct foreign investment if such investment comes from another African State;
- Develop strategic partnership for generic products (for example, cotton) among African countries: those in possession of raw materials and those having industrial capacity.

Investment and Financing

- Encourage regional banks to provide lines of credit and other financial facilities, such as guarantees, to finance the establishment of regional value chains in sectors of strategic importance for Africa such as cotton;

- Establish an African Compensation Fund to offset the extra costs generated by the application of the African preference principle;
- Create an African Investment Guarantee Fund with the participation of the investment guarantee funds of Member States.

Standardization of Customs Standards and Procedures

- Harmonize norms and standards at sub-regional level and accordingly strengthen the control, testing and certification system (adopt Mutual Recognition Agreements - MRA);
- Harmonize statutory instruments with a view to establishing a Common Customs Tariff; encourage sub-regions to ratify integration agreements.

Transport and logistics

- Develop highway and railway lines for the promotion of regional and inter-regional markets: the North-South highway linking Algiers to Tamanrasset facilitates access to Niger, Mali and Burkina Faso and gives the three countries faster access to European markets and maritime access;
- Create growth poles among countries, for instance, a free zone in Tamanrasset to facilitate trade and agro-industrial processing of products from neighbouring countries.
- *Create corridors that could develop regional and inter-regional markets;*
- *Harmonize institutional mechanisms, particularly in the field of standardization and pricing.*

33. The long-term objective of is to establish a real African Common Market.

Agenda Item 5: Round Table on Minerals processing

Theme: “Study on opportunities for Value addition to Minerals”

34. The presentation on “Value Addition to Resources” highlighted the importance of natural resources, including minerals, as part of a resource-based African industrialisation strategy. The wealth of minerals, water, fish, land, oil and gas, and tourism were identified as resources which could help Africa extricate itself from under-development. In this regard, the need to optimise the developmental impact of the exploitation of these resources by ensuring that the economic linkages within the economy are developed was highlighted. The detailed analysis of the mineral value chain from exploration through mining, mineral processing, refining and the manufacture of finished products was used to identify the various fiscal, spatial, knowledge, backward and forward linkages that can emerge to catalyze development. The presenter used the tenets of the African Mining Vision to illustrate the importance of value addition in the developmental role of the minerals sector. The key components of the Vision in the transformation of the enclaved African economy into a dynamic resources-based industrial economy were outlined.

35. The challenges to value addition to minerals include: the lack of requisite infrastructure including transport, energy, water, a conducive investment environment for the growth of the private sector and high level human knowledge and skills, escalating tariffs on the export markets for processed mineral products under the bilateral and multilateral agreements, the Kyoto Protocol and the associated environmental implications, the impact of technology development, more specifically (Research and Development). Value addition is a high technology industry and requires highly skilled manpower as well as huge investments in technology development and new uses of minerals. Given the limitations of small domestic financial markets for such large investment, the presenters suggested a regional approach to R&D through the networking of institutions and joint research and funding of research. The limitations of the negotiation capacity of Member States in Africa was observed as another key challenge to the strengthening of linkages of the sector with the rest of the economy.

36. The immense opportunities for minerals value addition to Africa's mineral products were identified to include those critical to kick-start the industrialisation process. The critical feed stocks for the manufacturing sector (steel polymers & base metals), agricultural development (fertilisers) and infrastructure development (cement, steel (rebar) and copper) are all available. These are the 'big ticket items' which the Continent should focus on to kick-start development as they will address the key development challenges. The strong mineral demand precipitated by the Asian boom and concomitant strong demand for Africa's natural resources provides an opportunity for a resource-based African industrialisation strategy. Furthermore, the improved political climate in most countries on the Continent provides a conducive climate for investment.

37. To overcome the challenges associated with the pursuit of an African industrialisation strategy including adding value to mineral products, the presenters suggested the following:

- i. The establishment of regional minerals companies (owned by Member States) to assist in developing mineral assets to a stage ready for transparent and competitive concessioning to the bidder with the highest developmental proposal/bid (maximisation of linkages) and the Regional Mineral Company (RMC) could take a commensurate holding in recompense for developing the deposit. The RMC could:
 - **Hold all the state's holdings** in mining and hold all known (but un-concessioned) resources. To prepare them for auction;
 - **Hold selected "partly-known" mineral prospects**, to carry out further exploration to determine their potential for competitive concessioning;
 - **Hold the state's free-carry** in each competitive concession (the free-carry percentage could be a biddable variable, with a low weighting);
 - **Hold and develop strategic mineral deposits/assets** as determined by the State and SOEs, to cater for the nation's future energy and other strategic needs.
 - Develop and execute a strategy to **optimise the mineral linkages** industries;
 - **Partner indigenous** mineral companies in developing new mineral properties and optimizing their developmental impact;
 - **Fund R&D** in critical requisite technologies for safer and efficient mining, processing **and** mineral inputs, especially capital **goods**;

- **Develop appropriate human resources** to optimise the developmental impact of the nation's mineral assets; and
 - **The RMC should be given first-sight of all new geo-data generated by the Member States geo-surveys**, for a limited period, in order to identify potential State assets, requiring further exploration and to prepare them for competitive concessioning.
- ii. **Revise African resource regimes (particularly mineral regimes) to allow for competitive concessioning** against developmental criteria of the region's known resource endowments (land, minerals, water, fisheries, state rights, etc.), to maximise price discovery and developmental objectives (impose linkage requirements). Free entry mineral regimes should only apply over areas with no known mineral assets (resulting in a semi-automatic mining license). Accelerate the work of developing the new framework for Africa's mining regimes to help Member States address the weakness in the current frameworks;
 - iii. Accelerate deeper sub-regional and regional integration (free trade area, customs union) to enhance the benefits from value addition economies of scale and competition. This could begin with the establishment of an African Steel and Energy Enterprises and the development of regional markets;
 - iv. Unpack the African Mining Vision into a coherent African value addition and industrialisation strategy (in sync with the AU minerals and other strategies),
 - v. Concretise the AU Industrialisation Strategy with templates, toolkits, model resources, concession agreements, model legislation/regulation, sub-sector strategies and other useable tools/aids to guide Member States;
 - vi. Establish ongoing continental and sub regional peer learning fora to develop African "best practice" strategies for value addition;
 - vii. Impose a Resource Rent Tax on all excess profits above the expected return, on all resource exploitation concessions. These should be kept offshore to avoid the Dutch Disease. These funds should be used to capitalise regional development funds for financing long-term regional physical and knowledge (HRD & R&D) infrastructure for a regional value addition strategy.

38. In the ensuing discussion, the following observations were made:

- The presentation should take into account the market dimension. It is well known that the development of industrial projects based on local mining resources is subject to the availability of demand for products. This demand, both local and international, is not static and its variation is a source of risks. Planning based on such activity is problematic for government. This raised the need for prospective studies to ensure that projects are well designed in terms of future fluctuations of inputs as well as output market.
- It is important for Africa to accelerate the establishment of its continental Customs Union to enlarge its market and face competition successfully.

- The weak negotiation capacity of African Governments in mineral contracts was recognised.
- The critical role of infrastructure, especially energy, roads, ports and communication for industrialisation was emphasised.
- The limited collaboration between countries with energy surplus and the countries in energy deficit was identified as one of the major impediments to African industrialization.
- The lack of alignment of the promotion of value addition in the minerals industry to the overall industrialisation strategy was emphasized.
- The need to look at these value addition projects from a sub-regional perspective was also stressed.
- The issue of the role of public mining companies in the context of the minerals value chain and the generation of linkages was underlined.
- The role of Governments in ensuring that the sector contributes to sustainable socio-economic development and the well being of the population was emphasized.
- The issue of the development state in resource exploitation and value addition was reiterated. The importance of HRD, Research and Development and innovation on value addition was underscored.
- The challenges posed by EPAs on value added mineral products exports was highlighted.

39. After the discussions the meeting came up with the following recommendations:

- i. Mechanisms to strengthen power pooling arrangements to address the energy deficit and national and sub regional levels should be accelerated at both sub regional and continental levels. In addition, effort should be deployed towards mobilizing resources for financing the development of the continent's energy resources to power industrial development including value addition.
- ii. Member states should align the promotion of value addition in the minerals industry to the overall industrialization strategy. In that regard concrete projects targeting specific minerals should be developed and implemented. At continent level, the African Mining Vision should be unpacked into a coherent value addition and industrialization strategy in sync with Africa's industrialisation strategy.
- iii. Member states should impose a resource rent tax and use the additional revenue to invest in R&D, innovation, infrastructure and HRD as part of strategies for value addition in the minerals sector as part of an overall industrialization strategy.

- iv. The AU should spearhead the development of frameworks to assist Member States in renegotiating and negotiating mining contracts so as to ensure that value addition requirements are incorporated. Work already underway under the operationalisation of the African Mining Vision should be accelerated.
- v. Member States should consider a sub regional approach to R&D and science, technology and innovation in order to benefit from economies of scale and from the sharing of technical capacities.
- vi. Member States should adopt a common approach in EPA negotiations to deal with impediments of the export of value-added mineral products such as tariff and non-tariff barriers.
- vii. The creation of the African Economic Community as provided for by the Abuja Treaty should be accelerated in order to create a larger market and enable value addition products to benefit from economies of scale.

Agenda Item 6: Round Table on Pharmaceutical Industries

Theme: “Improving access to essential medicines – What role for African pharmaceutical industry”

40. This section begins with short summaries of the presentations made, followed by a listing of key observations shared and of issues raised by the meeting at large. It concludes with a set of recommendations that attempts to distil the essence of deliberations. UNIDO outlined the objectives of the roundtable, which included (1) to raise awareness on the increasing importance attached to the potential role that local pharmaceutical manufacturers in Africa could play in meeting the challenges of access to essential drugs for endemic diseases such as HIV/AIDS, Malaria and Tuberculosis; (2) to inform participants about the key challenges and opportunities that exist in synergising industrial development and public health policies towards the stimulation and growth of a viable pharmaceutical industry in Africa; (3) to explore the avenues on intra and inter-regional collaboration to advance pharmaceutical manufacturing in Africa; (4) to enable informed decision for inclusion of pharmaceutical industries into AIDA

Fostering the local production of medicines in developing countries (UNIDO)

41. In an introductory presentation on “Improving access to essential medicines – what role for African pharmaceutical industry”, UNIDO stated that in spite of past efforts a big gap still exists between the available drugs and those needed for such diseases like HIV/AIDS, Malaria, and Tuberculosis. He added that the challenges of universal access to medicines on both the demand and supply still remains unresolved. These challenges included low purchasing power in resource trapped environments, weak health systems - ranging from drug procurement to storage and distribution, rational use, regulatory issues and drug pricing; limited human resources on health sector, and funding constraints. In addition, shortages and the penetration of substandard and counterfeit drugs aggravated the already difficult problem.

42. The speaker pointed out that the geographical distribution of pharmaceutical production was uneven, with the bulk of production taking place in high income

countries. He stated that as of 2005, according to the World Health Organization (WHO), 37 African countries had some drug production capacity. Despite the existence of these pharmaceutical industries in Africa, the majority of pharmaceutical products are imported from Europe or Asia.

43. The presenter underscored the fact that local production of medicines had been identified as an important development objective by the African Union in its 2007 Pharmaceutical Manufacturing Plan for Africa (PMPA). At sub-regional level, pharmaceutical production features as one component in the SADC Pharmaceutical Business Plan 2007-2013 and the Regional Pharmaceutical Manufacturing Plan of Action of the East Africa Community (EAC). He stated that local production of pharmaceuticals in developing countries has been acknowledged by many stakeholders. As a result, those stakeholders have been active in drug-related areas, in particular on issues like drug procurement, distribution, use and treatment, research and drug discovery, development and testing, or drug regulatory issues such as drug registration, compliance with quality and related standards and patents.

44. In addition, international agencies have made interventions in improving the operational environment of pharmaceutical manufacturers so as to upgrade towards international quality standards. The Presenter stated that UNIDO had, since 2006, been providing advisory and capacity building support under a global project that aims at strengthening the commercially viable local production of quality assured essential generic drugs in developing countries. He further elaborated that a review by the UNIDO Industrial Development Board (IDB) of the organization's work linking industrial development and public health perspectives in 2010 resulted in a decision that encourages an enhancement of pertinent UNIDO activities, with a special focus on Africa.

Pharmaceutical Manufacturing Plan for Africa Status Update (AUC)

45. In her presentation on the above topic, the AUC presenter referred to the salient ideas of the AU Assembly Decision 55(IV) adopted in Abuja in 2005 that clearly emphasized the need to formulate a plan of action to facilitate increased drug manufacturing on the Continent and to bolster Research and Development in the area. She recalled that the Decision urged Member States to take a lead in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) negotiations and implement measures identified for promoting access to affordable generic drugs. The Heads of State and Government "Resolved to take all the necessary measures to produce with the support of the international community quality generic drugs in Africa, supporting Industrial Development and making full use of the flexibilities in the International Trade Law", while the AU Commission was requested to lead the development of a Pharmaceutical Manufacturing Plan of Action (PMPA) within the Framework of the NEPAD.

46. She further reported the progress made in implementing the Assembly decision both at Member States, continental and global levels, highlighting the efforts undertaken by the AU Commission, the NEPAD Coordinating and Planning Agency of the AU, WHO, UNIDO and other international partners.

47. Efforts undertaken to date in pursuance of PMPA include the following:

- i. Convening Ministerial and Technical level fora aimed at adopting relevant programmes and plans of action, raising awareness, increasing political

- will, ownership, fostering partnerships resource mobilization for implementation of the Assembly Decision;
- ii. The Technical Analysis of the Local Capacity of African Countries to Produce Essential Medicines including HIV/AIDS, TB and Malaria Drugs conducted by AU Commission in 2006 and the development of a business plan for operationalisation of the PMPA;
 - iii. The African Medicines Regulatory Harmonization Initiative and efforts to strengthen R&D and Pharmaceutical innovation in Africa that are currently being rolled out among the RECs and some Members States;
 - iv. SADC, WAHO and EAC efforts towards development of regional plans in the area of pharmaceutical production.

Innovation and regulation of pharmaceuticals – advancing common action (NEPAD Agency)

48. The presentation underscored the relationship between the AIDA and PMPA particularly as they both put emphasis on the same key principles for industrial development namely Infrastructure Development; Human Capital Development and sustainability; Innovation, Science and Technology; Development of Standards and compliance; Development of Legal, Institutional and Regulatory Framework and Resource Mobilization for Industrial Development. The PMPA further emphasizes on pharmaceutical production being capital, technology and knowledge intensive, hence the need for technical expertise both in terms of sufficient numbers and appropriate skills and the ability of education system to produce sufficient numbers of skilled personnel in a sustainable manner. In addition, the legislative framework at national and regional level need to be conducive to regionalised local production extending beyond Good Manufacturing Practice (GMP) to include Good Distribution Practice (GDP), Good Laboratory Practice (GLP), Good clinical Practice (GCP) and other aspects of product regulation but also extends to legislation regulating related duties on imported raw materials and intermediates and related taxes.

49. The importance of sound medicines regulatory systems in achieving local production policy priorities is key to assuring the quality, safety and efficacy of locally manufactured products and their positive contribution to public health as highlighted by the WHO □ AFRO 56th Regional Committee Meeting, August 2006. It is further emphasised that the success of local production depends, to an extent, on intra □ regional and intra □ continental trade in creating a viable market size. WHO further recognises that trade in pharmaceuticals is hampered by disparate regulatory systems, which create technical barriers to the free movement of products manufactured in Africa, hence emphasizing the need for both strengthening and harmonising regulatory systems, in order to realize local production policy objectives.

50. The NEPAD Planning and Coordinating Agency (NPCA)'s mandate to facilitate and coordinate the implementation of continental and regional priority programmes and projects and to mobilise resources and partners in support of their implementation provides its niche role as a development Agency of the African Union. NPCA is also mandated to conduct and coordinate research and knowledge management, monitor and evaluate the implementation of programmes and advocate on the AU and NEPAD vision, mission and core values. Based on this, NEPAD Agency undertook to implement two programmes under the auspices of PMPA namely the African Medicines Regulatory Harmonization (AMRH) initiative

and the NEPAD/COHRED programme on strengthening pharmaceutical innovation in Africa.

51. The AMRH aims at assisting regional economic communities (RECs) and their member states in Africa in their endeavour to improve access to quality, safe and efficacious essential medicines for treatments of priority diseases through harmonization of medicines registration as a pathfinder to a broader scope in regulatory function and product type. The programme to strengthen pharmaceutical innovation in Africa on the other hand is an initiative to support national governance and management capacity for pharmaceutical innovation in African aiming to reach a wider audience through dissemination, web-based information and other communication activities. While the designing an effective and realistic national innovation strategy is a challenge in many African countries and gaining end-to-end expertise in pharmaceutical innovation is not viable for most African countries today for reasons such as skill base or financing there is need for exploring regional innovation strategies. A regional strategy that pools the talents and investments of a group of countries can be an attractive approach. In this scenario, countries can agree to work together to develop specific parts of the pharmaceutical innovation, production and delivery chain.

Local Production of Pharmaceuticals in West Africa: Challenges and Potentials

52. The Vice President of the West African Pharmaceutical Manufacturers Association (WAPMA) stated in his presentation that domestic pharmaceutical industries contribute to regional development by reducing poverty and ensuring access to quality medicines in West Africa. He said that domestic pharmaceutical industries have direct effect on health care services by strengthening the capacity of local health institutions and improving their standing on the competitiveness index, adding that the industry was readily regulated to ensure that the highest quality standards were attained and maintained. He pointed out that WAPMA fights the influx of counterfeit and sub-standard medicines into the region and serves as the instrument through which West Africa could achieve self-sufficiency in providing high quality affordable medicines through collaborative efforts, harmonization of policies and elimination of trade barriers.

53. The presenter outlined the success factors for WAPMA, which included the attainment of international standards of Good Manufacturing Practices, certified by the World Health Organization (WHO) and the West African Health Organization (WAHO), state of the art technology with finished products and active pharmaceutical ingredients and innovation such as drug discovery and development. In addition, he highlighted the human capacity development of WAPMA such as mandatory GMP training for personnel, support for personnel training from WAHO, peer review and self regulation and technical assistance from UNIDO. He outlined the key challenges of the Association, which are the availability and cost of utilities, availability and cost of capital for doing business, unfair practices such as fake and sub-standard drugs dumping, and excessive reliance on donation of medicines.

Local Pharmaceutical Manufacturing in East Africa: Challenges and potential

54. In his presentation on the above topic, the presenter gave an overview of the pharmaceutical market of Africa, using the case of Kenya. He stated that the estimated market size was only US\$ 240 million in 2008, out of which the local manufacturers had less than 30% market share, while the rest is imported. The

indicated estimate does not include donor-funded purchases of medicines for HIV/AIDS, Malaria and Tuberculosis. He pointed out that the local manufacturers are shut out of a large segment of their own domestic markets, adding that for the public procurement funded by donors, the donors stipulate international standards such as pre-qualification that no local manufacturer in most Sub-Saharan countries can meet, while there was no parallel efforts by these donors to upgrade local manufacturers, thus making donor dependence continuous and permanent.

55. He pointed out that unquestioned acceptance of donor interventions such as the Affordable Medicines Facility – malaria (AMFm) distorts the markets and undermines local pharmaceutical manufacturers. He highlighted the role of national institutions and policy in the development of pharmaceutical industries in Africa, stating that internationally stipulated standards for medicines went much beyond safety and that national policies should counter persistent donor/import dependence.

56. He voiced the view that an import dependence on medicines contributes to:

- Greater pressure and cost on regulating bodies to monitor quality from remote supplies;
- Supply interruptions due to long supply lines and gaps in procurement, with attendant patient suffering;
- Failure to exploit socio-economic benefits of spending in-country.

The Pharmaceutical Industry in Algeria, Evolution and Perspectives

57. In his presentation, the representative of the Algerian public drug company SAIDAL gave general guidance on the Algerian market and the drug related policy. He discussed the rising trend of drug consumption and the need to meet their needs and through the realization of new production units.

58. Three basic principles driving the Algerian policy on reduction of external dependence in terms of drug supply were highlighted:

- i. The development of national production;
- ii. The development of generic drug production; and
- iii. Facilitating access to medicines.

59. Accompanying measures have been defined by the Government for realizing the basic principles of this Algerian drug policy:

- i. Bond is given to national laboratories and multinational companies operating in Algeria to manufacture locally;
- ii. Suspending the importation of drugs manufactured locally;
- iii. Tax incentives for local producers;
- iv. Establishment of a reference tariff;
- v. Right of substitution granted to pharmacists.

60. The development plan of 160 million euros in 2010-2014 given to SAIDAL by the Governments has chosen to aim this national production up to 70% of demand,

against 30 to 35% currently.

61. From the discussions that ensued, the need to link the PMPA to AIDA was emphasized. The role of the pharmaceutical industry as a sector of the industry that can add value through its direct contribution to poverty reduction and sustainable socio-economic development and indirectly through healthcare that leads to human capital development was also underlined.

62. The need to fight the penetration of markets with sub-standard or counterfeit drugs was emphasized and examples were given of progress made on this by some regulatory agencies, such as Nigeria. The potential for enhanced intra-regional cooperation with regard to technology transfer was pointed out such as between companies from northern Africa and other sub-regions.

63. Several speakers referred to the importance of medicines based on natural resources (medicinal plants) and on the potential seen in principle for the furtherance of an industry that seeks to commercialize the natural richness in this regard.

64. A number of recommendations were distilled from RT presentations and subsequent plenary deliberations. Specifically, the meeting recommended to:

- i. Explicitly include the pharmaceutical industry as a priority sector in the AIDA implementation strategy;
- ii. Support the revision of the AU Pharmaceutical Manufacturing Plan for Africa (PMPA) in the light of action taken and insights gained at different levels in recent years in promoting the industry on the continent, particularly initiatives pursued by the NEPAD Agency and the RECs as well as ensure the incorporation of industrial development considerations in the business plan envisaged for the operationalisation, advocacy, funds mobilization and implementation of the PMPA;
- iii. Support the strengthening of the governing structure of the PMPA to effectively and efficiently deliver on its mandate;
- iv. Jointly, with AU Ministries of Health, provide leadership in developing the local pharmaceutical manufacturing industry, with a view to bridging an observed disconnect, and thus to mobilizing synergies, between public health and industrial development actors and perspectives;
- v. Foster the involvement of, and coordinate the inputs from the wider stakeholder community, notably the private sector, in the formulation and implementation of pharmaceutical industry development strategies, policies and programmes, geared at the furtherance of a commercially viable local pharmaceutical industry as a supplier of quality essential medicines and other health commodities;
- vi. Encourage African operators to exploit the availability of existing production capacity in Africa (the example of the capacity held by the Group in Algeria SAIDAL in manufacturing in international standards of essential drugs to Africa).
- vii. Undertake, with support of relevant partners such as UNIDO, WHO, ARIPO, WIPO and OAPI, a detailed assessment of the existing initiatives on local pharmaceutical production on the continent, with a view to identifying, documenting and disseminating good practices, planning/supporting and scaling up the development and implementation of

sub-regional (REC) strategies/business plans within the framework of the PMPA;

Agenda Item 7: Presentation and discussion of the Resource Mobilization Strategy of the AIDA

65. This session was devoted to the presentation of Annexe A, of the AIDA programme. The financing and resource mobilisation strategy is based on a *comprehensive mapping of resource gaps*, leading to the *identification of resource requirements*, on the basis of which *budget estimates* are prepared. Accordingly, this annex is further divided into three sub-annexes:

- (a) Annexe A.1 contains a *mapping of the resource requirements and gaps in relation to the strategy for the implementation of the action plan for AIDA*.
- (b) In A.2, the resource requirements are transformed into concrete development goals and presented in the form of a *logframe matrix for the financing and resource mobilisation requirements for the implementation of the action plan for AIDA*.
- (c) The *budget estimates* are contained in Annexe A.3. They present the budgets for the implementation of the 54 specified projects.

66. In the ensuing discussions, the meeting underscored the importance of both internal and external sources of finance to catalyze industrial development on the Continent. Although concern was expressed over the potential competition amongst partners in providing funds for development, there was consensus that external resources have an important role to play in financing development. The meeting further observed that financing could be attracted from the Diaspora provided confidence is created in the stability of African economies. Other sources identified are pension funds and social security funds in Member States. These innovative financing mechanisms can help overcome the challenges faced by the small financial market at Member State level.

67. The meeting proposed that resources be mobilized to implement cluster 3 on Infrastructure and Energy Development as a priority cluster for the whole Continent. It was also observed that some RECs like EAC have been omitted in AIDA and that further consultations especially on budgeting for the program with the RECs still needed to be done. The need for better coherence on funds dedication and utilization was also emphasized.

68. The meeting also emphasized the role of the State in creating a conducive environment for private sector participation in industrial development. In addition, the meeting noted that the State can provide seed resources and mobilize other sources to finance industrial development. The meeting also discussed the idea of an African agreement on a minimum level of budget allocation towards industrial and infrastructural development.

69. After the discussions, the meeting came up with the following recommendations:

- i. Member States should be mobilized for industrial development through a regional strategy which mops up resources into a regional fund for promoting the development of the prioritized projects.
- ii. There is need for industrial policy harmonization at the regional and sub-regional level taking into consideration mechanisms already underway in the sub-regions on industrial development.
- iii. The AIDA resource mobilization strategy should take into account work already underway in the different sub-regions on resource mobilization and industrial development to facilitate learning and also avoid duplication.
- iv. There is a need for internalization of the AIDA annexes at the regional and sub-regional levels. Member States through the RECs should prioritise flagship projects with a direct link to all development.
- v. Member States should channel resource rents to industrial development.
- vi. There is a need to create opportunity to engage African companies and Diaspora to accelerate project implementation and opportunity to leverage regional industrial development championed by major economies in the region.
- vii. Member States should establish AIDA Finance Facility under which financial resources will be mobilized through existing development finance institutions in Africa.

Agenda Item 8: Presentation and discussion of the Monitoring and Evaluation Strategy of the AIDA

70. The Monitoring and Evaluation Framework for the strategy for the implementation of the action plan for AIDA is presented in *Annexe B*. It contains indicators for the monitoring and evaluation of the progress of *implementation* of AIDA, as well as the results achieved through such implementation in this regard:

- i. The indicators for the Monitoring and Evaluation of the *implementation* of the action plan for AIDA are designed to measure progress associated with concrete undertakings (that is, activities and tasks). Thus they show which outputs have been achieved through the use of resources (that is, inputs in the development intervention)
- ii. The indicators for the Monitoring and Evaluation of *results* achieved through the implementation of the action plan for AIDA. Hence, the pertinent indicators measure both the *outcomes* (denoting what has been achieved in relation to the purpose of a development intervention, thus they show whether success has been achieved) and *impact* (for example improvement of Africa's industrialisation *vis á vis* credible benchmarks and targets).
- iii. The Timelines proposed for the implementation of the AIDA program should be adopted for monitoring and evaluation of the programme.

- iv. RECs should internalize the monitoring and evaluation process of the AIDA programme.

Agenda Item 9: Presentation and discussion of the Steering Committee Framework prepared for AIDA

71. The proposed multi-tier committees for the mobilisation of resources and the implementation of the strategy of the action plan for AIDA, namely, the African Union Steering Committee for AIDA (AUSC-AIDA), Regional Steering Committee for AIDA (RSC-AIDA) and National Steering Committee for AIDA (NSC-AIDA), are conceived as dynamic strategic and technical organs, to pursue objectives that are guided by clear terms of reference (ToR).

72. Apart from similarities, there are also differences concerning the key features of ASC-AIDA, RSC-AIDA, and NSC-AIDA. They include the compositions of the committees, leadership, secretariats of the committees, number of meetings, durations of terms of office of the committees, and duration of memberships in the committees.

73. During discussions the presenter clarified the fact that these annexes (Resourced Mobilisation, Monitoring and Evaluation, and Steering Committee) were validated in Addis Ababa in October 2010, and that the recommendations were taken into account in the present document. These recommendations include a clear role for the Diaspora at both personal and country level, and consideration for gender balance in the formulation of steering committees.

74. After the discussions, the meeting came up with the following recommendations:

- i. The need for better representation for RECs at pan-African level of the Steering Committee.
- ii. The need to enhance the composition of steering committees to incorporate African financial institutions and other development agencies such as NEPAD in their structure.
- iii. The alignment of the steering committees structure with the existing institutions in Africa for optimum utilization.
- iv. The inclusion of a representative from the private sector in the Pan-African Steering Committee for the Implementation of AIDA.
- v. Management of information systems, effective means for communications and information technology as a necessity for the success of the steering committees.

Agenda Item 10: Consideration of the Draft Conference Declaration

75. The meeting examined the draft Conference Declaration and recommended it for consideration by the Ministers.

Agenda Item 11: Any Other Business

76. Under this item, the meeting examined and recommended the draft agenda of Conference of Ministers.

Agenda Item 12: Consideration and Adoption of the Report of Senior Officials

77. The meeting considered its report and adopted it with amendments.

Agenda Item 13: Closure of the Meeting of Senior Officials

78. The representative of the Government of Algeria thanked the delegates for their contributions and brought the meeting to a close.