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Planning and Economic Development**

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## **MINISTERIAL STATEMENT**



1. We, the African Ministers of Finance, Planning and Economic Development, met in Cairo, Egypt, on 6 and 7 June 2009 for the Second Joint Annual Meeting of the African Union Conference of Ministers of Economy and Finance and the United Nations Economic Commission for Africa (ECA) Conference of African Ministers of Finance, Planning and Economic Development.
2. We recall that, at the First Joint Annual Meeting in Addis Ababa in March 2008, we reiterated our commitment to make employment creation a central feature of our economic and social policies, take measures to mitigate the effects of volatile food and energy prices, deepen governance reforms, provide legal empowerment for the poor, enhance resource mobilization, scale up efforts to promote regional integration, deal with the challenges presented by climate change and strengthen efforts to meet the Millennium Development Goals (MDGs).
3. We recognize that the global financial and economic crisis has changed the international environment in which we design and implement policies. The drying up of key sources of development finance has exposed our vulnerability to external finance and rekindled interest in scaling up efforts to enhance domestic resource mobilization as a sustainable mechanism for financing development in the long run. In this regard, the theme of this year's Conference, "Enhancing the effectiveness of fiscal policy in domestic resource mobilization," is quite appropriate.

#### **Financial and economic crisis**

4. We recognize that although the financial crisis was triggered by events in the advanced countries, its effects are already being felt in Africa. Recent projections indicate that in 2009 the crisis will reduce growth in the region by two to four percentage points, with dire consequences for our ability to reduce poverty and meet the MDGs by the 2015 target date. Consequently, bold and swift actions are needed to cushion the impact of the crisis on our economies and protect vulnerable groups.
5. We recall the outcome of the meeting of African Ministers of Finance and Planning and Governors of Central Banks held on 12 November 2008 in Tunis, Tunisia. We recall further the communiqué issued by the Committee of 10 Ministers of Finance and Planning and Governors of Central Banks at their meeting on 16 January 2009 in Cape Town, South Africa. We reaffirm the commitments we made in Tunis to deepen economic reforms, strengthen regulation of financial institutions, harmonize fiscal and monetary policies, improve governance and accountability, diversify our export structure, make more judicious use of public revenue and improve debt management.
6. We acknowledge that several countries in the region lack the ability and flexibility to conduct countercyclical policies needed to mitigate the impact of the crisis on their economies. We urge regional and multilateral development finance institutions to increase their financial support to African countries while alleviating attendant conditionalities to enable them to finance economic and social programmes and ensure that the financial crisis does not become a humanitarian disaster. We also urge donors to meet their existing commitments to the region.
7. We are convinced that a global crisis requires a global and coordinated response that reflects differences in national abilities and ensures proper representation of all countries. In this

regard, efforts should be made to increase Africa's voice and participation in international financial institutions as well as other forums on reform of the global financial architecture. We welcome the decision by the United Nations General Assembly to organize a global conference on the financial crisis and urge African countries to participate actively.

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

### **Domestic resource mobilization**

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

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

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

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

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

14. We note that in the majority of our countries, official development assistance (ODA) has played and will continue to play a major role in development financing in the short to medium

term. However, more efforts are needed on the part of our governments to enhance domestic resource mobilization and reduce reliance on aid in the long run. It is well known that domestic finance is a more stable and sustainable source of development financing than ODA. On the other hand, it is critical that donors fulfil their commitments to Africa on scaling up aid and its effectiveness, as reflected in the Monterrey Consensus, the G-8 Africa Action Plan, the Gleneagles Summit outcome and the Paris Declaration.

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

### **Regional integration**

16. While acknowledging recent progress towards regional integration in our region, such as the decision of the heads of State and government of the Common Market for Eastern and Southern Africa, the Southern African Development Community and the East African Community to establish a free-trade area, we remain concerned that overall progress in regional integration and intra-Africa trade remains limited. We reaffirm our commitment to advance regional integration in the context of the Minimum Integration Programme adopted by the Fourth Conference of African Ministers of Integration. We also commit ourselves to addressing the challenges that the regional economic communities face in their efforts to advance regional integration and intra-African lack of trade, including the lack of macroeconomic policy convergence, inadequate policy commitments and implementation of protocols by member States. Furthermore, we commit ourselves to intensifying efforts to promote infrastructure and institutions that support regional integration, including efforts to establish a continental integration fund for financing the Minimum Integration Programme.

### **Millennium Development Goals**

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

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

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

### **Climate change**

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

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

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

### **African Charter on Statistics**

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

### **International trade**

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

### **African Investment Bank**

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

**Least developed countries**

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

**Vote of thanks**

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

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