REPORT OF THE COMMITTEE OF EXPERTS OF THE SECOND JOINT MEETING OF THE AU CONFERENCE OF MINISTERS OF ECONOMY AND FINANCE AND ECA CONFERENCE OF AFRICAN MINISTERS OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT
Introduction

A. Attendance

1. The twenty-eighth meeting of the Committee of Experts of the second Joint Annual Meetings of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development was held in Cairo, Egypt from 2 to 5 June 2009. Preliminary remarks were made by the following: Mr. Getachew Adem, Chairperson of the outgoing Bureau of the Committee of Experts of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development, and Mr. Abdoulie Janneh, United Nations Under-Secretary-General and Executive Secretary of the Economic Commission for Africa (ECA). The opening statement was made by Mr. Hany K. Dimian, Deputy Minister of Finance, Arab Republic of Egypt.

2. The meeting was attended by representatives of the following member States: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Côte d’Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Namibia, Niger, Nigeria, Senegal, South Africa, Sudan, Swaziland, Togo, Tanzania, Zambia and Zimbabwe.

3. The following regional economic communities were also represented: Arab Maghreb Union (AMU), Economic Community of the Great Lakes Countries (CEPGL), Common Market for Eastern and Southern Africa (COMESA), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC).


5. One observer among the Member States of the United Nations was present: Germany.

6. Observers were present from the following organizations: Arab African Business, African Centre for Meteorological Applications to Development (ACMAD), African Partnership Forum Support Unit, African Monitor, Bank of Central African States (BEAC), League of Arab States (LAS), Organization for Economic Cooperation and Development (OECD), and the United States Mission to the African Union.
B. Adoption of the agenda and election of the Bureau

7. The Committee adopted the following agenda:

1. Opening of the meeting
2. Election of the Bureau
3. Adoption of the draft agenda and programme of work
4. Overview of recent economic and social developments in Africa
5. Assessment of progress on regional integration in Africa
6. Follow-up to major decisions of the 2008 Joint Annual Meetings

   • African Charter on Statistics
   • Climate change and development – Assessment of the Copenhagen Conference
   • Review of progress towards achieving the MDGs in Africa
   • Report of the 9th Regional Consultation Mechanism of United Nations agencies working in Africa in support of the AU and its NEPAD programme
   • Presentation of the 2009 report on the Mutual Review of Development Effectiveness (MRDE)

7. Presentation and discussion on the theme of the Conference: Enhancing the effectiveness of fiscal policy for domestic resources mobilization

8. Statutory issues

   • Presentation and consideration of the ECA Annual Report, 2009
   • Report of the fourth Conference of African Ministers of Integration
   • Report of the meeting of legal and finance experts on the statutes of the proposed African Investment Bank
   • Implementation of the first Plan of Action of the Africa-EU Joint Strategy
   • Report of the recently launched Coalition for Dialogue on Africa (CODA)
   • ECA proposed work programme and priorities for the biennium 2010-2011; and the proposed ECA Business Plan, 2010-2012
   • Consideration of the report of the first Congress of African Economists on Regional Integration
   • ECA report on the repositioning of the African Institute for Economic Development and Planning (IDEP))

9. Any other business
10. Consideration and adoption of the draft report of the Committee of Experts and draft resolutions

11. Closing of the meeting

Election of the Bureau

8. The following officers were unanimously elected by the Committee to form the new Bureau:

Chairperson: Arab Republic of Egypt
First Vice-Chairperson: Chad
Second Vice-Chairperson: Zimbabwe
Third Vice-Chairperson: Benin
Rapporteur: Kenya

C. Account of proceedings

Opening addresses

9. In his opening remarks, Mr. Getachew Adem, Chairperson of the outgoing Bureau of the Committee of Experts of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development, welcomed participants and thanked the Government of Egypt for its generous hospitality in hosting the Conference. He also thanked everyone for honouring his Government with two consecutive terms at the helm of the Committee. Mr. Getachew commended the Committee for the important role it had played in shaping the policy agenda on key development issues concerning the region.

10. Against the backdrop of the current financial and economic crisis (coming after the preceding year's fuel and food crisis) termed by most as the worst since the Great Depression, he found that the Conference theme of "Enhancing the effectiveness of fiscal policy for domestic resources mobilization" was ideal for examining how alternative sources of development finance and fiscal policies could be combined to strengthen national tax systems and improve public expenditure management. While continuing the efforts of market reform and good governance, African policymakers should also advocate the establishment of a better and more stable international financial architecture. He hoped that the Conference would make concrete recommendations in that regard. He also cited several accomplishments of the Committee during the past year and noted that the Government of Ethiopia would continue to support all future efforts of the Committee.

11. In his opening remarks, delivered on behalf of the AU Commission and the United Nations Economic Commission for Africa (ECA), Mr. Abdouli Janneh, United Nations Under-Secretary-General and Executive Secretary of ECA, recalled the external shocks that had occurred since the last meeting, including the food and oil price crises of the previous year and the current economic and financial crisis. All those crises continued to have negative impacts on growth rates, export earnings, official development assistance, trade finance, foreign direct investment and other capital flows. He cited the impact of reduced development finance on the attainment of the Millennium
Development Goals (MDGs) and highlighted some of the responses to the current global economic and financial crisis, including decisions taken at the meeting of finance ministers and central bank governors held in Tunis in November 2008.

12. Highlighting the significance of the theme of the meeting, the Executive Secretary stressed the need to explore policy options to make up for shortfalls in development finance. He indicated that fiscal policy could bring about structural transformation to ensure a stronger resource base. Hence, the identification of options and sharing of best practices were key challenges of the meeting. Other issues of significance would be the importance of good governance, pursuit of the continent's regional integration agenda, strengthened human and institutional capacity, more trans-boundary cooperation, and the search for global solutions to global problems. In that regard, he called for effective and fair global arrangements that addressed the concerns of African countries. He commended the G20 meeting for addressing several of the issues raised by Africa in the preparatory process, including gold sales, review of the debt sustainability framework and provision of more capital for multilateral development banks. He also emphasized the need to assess progress in those areas thus far.

13. On the implementation of the ECA work programme for the biennium 2008-2009, the Executive Secretary reported that significant achievements had been recorded in such areas as the publication of knowledge products, consensus-building and technical advisory services. Notable examples of activities were the 2009 Economic Report on Africa, produced jointly with the African Union Commission, and the Mutual Review of Development Effectiveness, produced jointly with the Organization for Economic Cooperation and Development. He noted the launching in March 2009 of the Coalition for Dialogue on Africa (CODA), a joint venture of AUC, the African Development Bank (AfDB) and ECA, which was aimed at advancing Africa's development agenda through inclusive dialogue. He emphasized that the building of partnerships was a core element of ECA work and further stated that such collaboration, including with the AU Commission, AfDB and the RECs, had been strengthened during the past year and should continue in coming years.

14. Mr. Janneh reported that implementation of the ECA 2007-2009 business plan would be concluded at the end of the year and that work had already begun on the business plan for 2010-2012, whose orientation would be to deepen the strategic focus of the current plan. He indicated that the ECA proposed work programme and priorities for the biennium 2010-2012 would seek to consolidate work in areas of ICT, trade, gender, governance, finance, economic policy analysis, climate change and statistics. He noted that support to member States would also be enhanced. While Africa was facing challenging times, he remained optimistic that the continent had a strong base for better macroeconomic management and improved governance. He said the meeting created a unique opportunity to articulate ideas and policy options that would enable Africa to meet current and emerging challenges.

15. On behalf of the Minister of Finance, His Excellency Dr. Youssef Boutros-Ghali, the Deputy Minister of Finance of the Arab Republic of Egypt, Mr. Hany Kadry Dimian, welcomed participants to the meeting. He said of the meeting was important and that it provided a perfect opportunity for African countries to prepare for the General Assembly high-level event on the global financial and economic crisis and its impact on development, scheduled to take place at the end of June 2009. The meeting was also an opportunity for Africa to examine policy options for addressing the long-term social implications of the global financial and economic crisis, which
included rising unemployment, hunger, poverty, and income inequality, besides expected deterioration in education and health indicators.

16. The Deputy Minister observed that many African countries found themselves constrained as a result of the crisis, with a contracting fiscal space for social policies. Governments were faced with tremendous challenges in protecting social expenditures and providing necessary social services, which were also critical to achieving the MDGs. Addressing the social impacts of the crisis was, therefore, an urgent imperative. To do so, Africa needed a strategic change in vision and a change in the way fiscal policy was formulated. Fiscal policy needed to be more macro-based and to pay greater attention to growth and sustainability. Those actions should be accompanied by greater efforts towards tax reforms to build more effective tax systems, strengthen institutional capacities, and increase investments in infrastructure development through public-private partnerships, with assistance from ECA and the African Development Bank. The Deputy Minister concluded his remarks by calling on African countries to speak with one voice in order to ensure that their concerns were reflected in major international processes such as the G-20, and other decision centres. He also called for increased voice and representation for Africa in the various International Financial Institutions and country groupings.

Overview of recent economic and social developments in Africa [Agenda item 4]

17. Under this agenda item, the secretariat introduced a document entitled "Overview of Economic and Social Conditions in Africa in 2008" (E/EC/COE/28/2, AU/CAMEF/EXP/2(IV)). The document highlighted the current global economic trends and their impact on Africa's economic growth. Africa's economic growth had declined from 6 per cent in 2007 to 5.1 per cent in 2008. In spite of that decline, Africa's growth had been underpinned by strong demand and high commodity prices in the first half of the year, sound macroeconomic management and reforms, low official external debt due to debt relief, high external capital inflows, strong performance in some sectors such as agriculture, and general decline in conflicts across the continent. In the context of the global financial crisis and economic recession, Africa faced a decline in trade, commodity prices and export and fiscal revenue, increased cost of borrowing, and falling aid and private capital flows. All that had reduced expected growth to 2 per cent for 2009 and slowed down efforts to alleviate poverty and achieve the MDGs.

18. Concerning trends in social development, poverty and unemployment rates remained high, while progress in education and health targets had been mixed and varied substantially across countries. The proportion of people living under the poverty line had almost doubled. While primary enrolment rates had been improving, school completion was still an area of concern. Furthermore, as a result of extensive and targeted prevention programmes, the HIV prevalence rate had either stabilized or declined in most African countries.

19. Regionally Concerted actions to foster economic recovery in Africa would require improved macroeconomic management; the use of accumulated reserves, when applicable, to boost domestic demand; coordinated action by donors and development partners to sustain aid flows; additional debt relief; and adequate concessional financing by international financial institutions. Furthermore, the focus on achieving the MDGs and on including vulnerable and marginalized groups in development strategies should be maintained.
Discussion

20. In the ensuing discussion, the Committee noted that African countries faced the challenge of translating their growth into meaningful social development, particularly for socially vulnerable groups. It was important for the countries to diversify their economies in order to reduce their vulnerability to external and domestic shocks. The Committee expressed concern over the lack of suitable conditions for achieving high and sustained growth on the continent; the inadequacy and instability of savings rates; the prioritization of public spending; the size of non-discretionary public spending; and the ineffectiveness of tax systems. The Committee noted that remittances had played a major role in boosting incomes and reducing poverty in some African countries.

21. Participants indicated that the State was instrumental in economic and social development because it created conditions for developing the private sector, addressing market failures, mobilizing resources and creating a legal and institutional framework that would enhance public and private sector partnerships to attract FDI flows, especially in the area of infrastructure. Finally, regional integration was important in consolidating efforts to increase Africa's growth and international competitiveness.

Recommendations

22. The Committee made the following recommendations for African countries to accelerate and sustain growth in order to enhance their poverty reduction efforts and progress towards meeting the MDGs:

   (a) African countries should continue to improve their macroeconomic environments and to sustain recent reforms in order to create an enabling environment for increased domestic investment. In order to reduce their vulnerability to fluctuations in commodity demand and prices, African governments should design and implement effective industrial policies that enhance value addition, manufacturing and economic transformation. In that context, the Committee urged African countries to speed up the process of regional integration and enhance intra-African trade.

   (b) Governments should create a fiscal space and mobilize more domestic resources by improving the efficiency of their tax systems in particular. They should also prioritize public expenditure to build infrastructure and improve public-service delivery, especially in relation to education. Finally, the Committee called on the secretariat to set up a system to track financial flows and remittances to Africa.

Assessment of progress on regional integration in Africa [Agenda item 5]

23. Under this agenda item, through a document entitled "Assessment of progress on regional integration in Africa" (E/ECA/COE/28/7, AU/CAMEF/EXP/7 (IV)), the secretariat gave an overview of the level of integration achieved by the eight regional economic communities (RECs) recognized by the African Union and noted that some progress had been made. The challenges that the RECs were facing in their efforts to achieve integration included lack of policy commitment by member States and inadequate implementation of the related protocols. In light of those challenges, AUC had been mandated to develop a Minimum Integration Programme (MIP) in order to accelerate the regional integration process in Africa. The MIP had been designed in collaboration
with the RECs and adopted by the Fourth Conference of African Ministers of Integration (COMAI IV). There was a need for financing the MIP through a continental integration fund, which would be the subject of a feasibility study to be conducted by AUC and ECA in collaboration with the African Development Bank. Obviously, the success of the MIP would depend on its ownership by all stakeholders and the degree to which it was integrated into national development plans and the programmes of RECs, AU and other development partners.

24. The major achievements in regional integration on the continent included the decision by the Heads of State and Government of COMESA, SADC and EAC to establish a free trade area (FTA). The joint ECA and AUC publication on regional integration entitled “Assessing Regional Integration in Africa (ARIA)” was another achievement in the integration process. Various editions of the report had addressed key integration issues such as rationalization of the RECs as well as financial and monetary integration in Africa. The next edition of the report, which also involved AfDB, would focus on intra-African trade. The member States of AMU had decided to create a free trade area and a draft convention in that regard was being prepared by member States.

Discussions

25. In the ensuing discussions, the Committee noted that, in regional integration, political progress seemed to be trailing progress on the economic front. African countries needed to have a common voice on regional integration and the RECs must play a leading role in that regard. It was observed that bilateral agreements between African and developed countries were often at variance with the stated goals of the RECs, thus compromising progress in regional integration. Furthermore, member States had not sufficiently mainstreamed regional integration into their national development strategies.

26. The Committee noted that several African countries were not fully benefitting from their membership in FTAs for various reasons, including weak productive capacities, poor infrastructure, and trade facilitation inadequacies which made border-post procedures cumbersome. Overall, in the short term, countries that were more developed industrially stood to benefit the most from the integration process. The Committee was informed of AUC efforts to improve and integrate Africa’s infrastructure through the introduction of the Programme for Infrastructure Development in Africa (PIDA) that was being developed in collaboration with ECA, AfDB and other development partners.

27. The Committee highlighted the need for ECA and AUC to provide updates on the implementation of resolutions adopted at previous meetings. It was pointed out that there was a need for studies on non-compliance with protocols, including rules of origin. It was felt that inadequate or zero compensation for potential losers in regional integration was also partly responsible for the violation of regional integration protocols as well as policy reversals.

Recommendations

28. Several key recommendations emerged from the discussion:

(a) Member States and the RECs were requested to:
   (i) continue to support the “Assessing Regional Integration in Africa (ARIA)” series of reports, which provided an assessment of Africa’s integration performance;
(ii) take note of the recommendations of COMAI IV, especially those related to the adoption of the MIP and its integration into national development plans; (iii) support the mainstreaming of regional integration issues into national policies to bring greater convergence to national strategies, subregional policies and regional objectives. In that regard, a baseline study to better appreciate national positions vis-à-vis regional integration goals and to ascertain the costs and benefits associated with membership in regional integration arrangements should be accelerated.

(b) ECA, AUC and other development partners should:
(i) continue assisting the RECs in efficiently implementing multi-year programmes and the MIP, as well as in building their capacities;
(ii) continue providing assistance for regional infrastructure development activities; and
(iii) support efforts of African countries to build their productive capacities.

Follow-up to major decisions of the 2008 Joint Annual Meetings of the AUC and ECA [Agenda item 6]

i. African Charter on Statistics


30. The meeting was informed that two studies conducted in 2008 had made recommendations on an implementation mechanism for the Charter and the establishment of an African statistical fund, and that there was an ongoing study on the elaboration of a strategic document on statistical harmonization for regional integration.

Discussions

31. In the ensuing discussion, the Committee welcomed the various activities and initiatives being undertaken in the area of statistical development and encouraged the AU Commission, ECA and other stakeholders to continue those efforts. The Committee underscored the important role of statistics in policymaking and emphasized the need to provide technical and financial support for statistical development in Africa. Many participants expressed their deep concern that the recommendation on the coordination mechanism proposed in the study could duplicate existing structures, and suggested that the AUC would focus on advocacy on statistical development.

Recommendations

32. In light of the foregoing, the Committee noted with appreciation that some member States had already signed the Charter and called on those which had yet to do so to sign and ratify the Charter so that it could enter into force as soon as possible. The Commission should complete the
study on the establishment of a statistical fund as a means of addressing resource constraints for statistical development in Africa. Regarding the issue of an effective implementation of the Charter, the Committee requested the AU Commission, in collaboration with ECA, AfDB, the RECs, the African Capacity Building Foundation and member States, to come up with an effective coordination, monitoring and evaluation mechanism.

**ii. Climate change and development – Assessment of the Copenhagen Conference**

33. The secretariat presented a report entitled "Progress Report on Climate Change and Development" (E/ECA/COE/28/9, AU/CAMEF/EXP/9(IV)) on the progress made in the development and implementation of the Clim-Dev Africa programme and Africa's preparation for the 15th Conference of the Parties to the United Nations Framework Convention on Climate Change to be held in Copenhagen in December 2009.

**Discussions**

34. The discussions that followed the presentation centred on two main issues: negotiations of climate change agreements; and mobilization of resources to finance climate change adaptation and mitigation strategies. On the negotiation of climate change agreements, the Committee underscored the need for member States to articulate and support a common African position based on their mutual interests. It noted that even if climate mitigation strategies were part of such a common position, it would be in the interest of African countries to focus more on climate adaptation strategies. The Committee also recognized that the weak negotiating capacity of most African countries also prevented them from engaging effectively in climate change negotiations and defending their position.

35. While recognizing the need for mainstreaming environmental and climate change policies into all sectors of the economy when elaborating national development plans, the Committee observed that member States were not taking advantage of existing funding mechanisms in financing such plans. In addition, existing funds such as the Clean Development Mechanism had a bias of funding climate mitigation programmes. That bias favoured the big-polluting developing countries such as China, India and Brazil. The foregoing, coupled with the weak capacity of African countries, were major contributing factors for the low uptake of climate change funds by member States.

36. Regarding the funding of climate change adaptation strategies, the Committee noted that since African countries contributed only a negligible amount to the problem of climate change, it would not be fair for them to bear the brunt of its adverse effects. The developed countries had an obligation to fund the climate adaptation strategies that African countries would collectively have to implement.

37. Regarding the implementation of resolution 855-XLI on ECA support to ACMAD as well as on strengthening the partnership between the two organizations, the Committee pointed out that a collaborative framework needed to be established.

**Recommendations**

38. The Committee made the following recommendations:
(a) Member States should articulate and support a common African position developed under the auspices of the African Ministerial Conference on Environment (AMCEN) pursuant to the decision by AU Summit (January 2009) to that effect and use this common position in negotiation of future climate change agreements to reflect their need to implement and finance climate adaptation strategies.

(b) ECA should work with AUC, AfDB, UNEP and other organizations to facilitate the strengthening of the capacity of member States to negotiate climate change agreements and to access existing and evolving environmental and climate change funds.

(c) Effective monitoring and enforcement mechanisms should be established to ensure that environmental and climate change commitments made by the international community relative to member States were met. Therefore, a collaborative framework between ECA and ACMAD Centre should be established as soon as possible.

(d) Member States should continue in their endeavour to mainstream environmental and climate change policy into all sectors of their economies.

iii. Review of progress towards achieving the MDGs in Africa

39. Under this agenda item, the secretariat presented a document entitled "Assessing Progress in Africa towards the Millennium Development Goals, 2009" (E/ECA/ COE/28/8, AU/CAMEF/EXP/8(IV)). The presenter noted that Africa continued to make progress towards meeting the various goals and targets of the MDGs, even though progress was uneven on some goals and varied from subregion to subregion. Some African countries were on track to achieve some of the MDGs, notably universal primary education, gender parity at primary school level, and reducing poverty by half. Among the subregions of the continent, North Africa had made the most progress on the MDGs. However, the slow rate of overall progress in 2009 was a cause for concern. The challenges identified as impediments to Africa's efforts to attain the MDGs included the fuel crisis, the food crisis, and the global economic and financial crisis.

Discussions

40. While welcoming the quality of the report, the Committee expressed concern over some of its aspects, notably sources of data and statistics. Some participants noted that much of the data used in the report was out of date, while others highlighted the usual discrepancies between United Nations data and national data. Concern was also expressed regarding inadequate reporting of ongoing projects and programmes in the context of the MDGs. The Committee also highlighted the tendency to focus on universal primary education at the expense of the quality of education.

Recommendations

41. In view of the foregoing, the Committee recommended that efforts should be made to improve the generation and quality of statistics regarding the MDGs. Ongoing projects and programmes should be reflected in the reporting of progress on the MDGs and efforts should be enhanced to harness the potential of various partnerships with a view to accelerating progress towards the MDGs.
iv. Report of the 9th Regional Consultation Mechanism of United Nations agencies working in Africa in support of the AU and its NEPAD programme

42. Under this agenda item, the secretariat made a presentation which provided an overview of the Regional Coordination Mechanism established to coordinate United Nations system-wide support to AU and its NEPAD programme. The presenter highlighted the institutional mandates, structure and levels of the Regional Coordination Mechanism and the significant progress made by its nine clusters in providing capacity-building and technical support to the African Union and the NEPAD secretariat. The presenter further elaborated on the United Nations Ten-Year Capacity-building Programme for AU as well as the various forms of ECA support to AU and NEPAD, including support to the RCM and APRM processes. Finally, he highlighted some lessons learned and proposed some actions on the way forward, including the need to complete the ongoing integration of NEPAD into AU structures and processes as well as the need to agree on priority areas for enhancing United Nations support to AU and its NEPAD programme.

43. The Committee appreciated the role of the United Nations in coordinating the support to AU and NEPAD. This is an effort clearly aimed at enhancing Africa's development.

v. Presentation of the 2009 report on Mutual Review of Development Effectiveness (MRDE)

44. The secretariat presented a document entitled "2009 Mutual Review of Development Effectiveness in Africa: Promise & Performance" produced jointly by ECA and OECD. The presenter highlighted the following issues: progress made over the last five years in terms of economic growth and poverty reduction; Africa's efforts to improve governance and mobilize domestic resources for economic growth and poverty reduction; increased aid flows and debt relief; commitments made, especially in the areas of governance and regional integration, to African countries and to improve aid volume and aid effectiveness; and the current economic crisis and its associated challenges.

45. The Committee was informed that the report was published at the onset of the global financial crisis and that it was the result of an extensive collaborative and highly inclusive process between ECA and OECD. The exercise had also involved consultations with various stakeholders from Africa and the wider international community. The Committee was also informed that the report had been very well received by African and international partners.

Discussions

46. The Committee noted that the report had come at a time of change in the systems of monitoring and mutual accountability and global governance, such as the emergence of the Group of Twenty (G20) process as a key international response to the financial crisis. The Committee underscored the need for these new changes in the international architecture to be reflected in future MRDE reports, including the new commitments coming out of the G20 process.

47. In order to maximize the impact of the monitoring process, the Committee highlighted the need for future reports to be timely in terms of feeding into the major African and international processes which address the African development agenda, including those of the AUC, the United
Nations and the G20. The Committee underscored the need for future MRDE reports to take into account the human-rights based approach to development. Further commitments that dealt with human rights ought to be included in future MRDE reports.

**Recommendations**

48. The meeting recommended the following:

a) The next MRDE report should be published by September 2010 in order to feed into the MDG Review Summit. The MRDE should continue on a two-year cycle thereafter.

b) Bearing in mind the changing global architecture which reinforces the importance of the MRDE exercise given the new G20 commitments, there is the need for a fundamental reform of the international financial architecture to ensure that Africa has stronger representation in international decision-making, and to make it more responsive and effective in helping African countries to tackle short-term crises and long-term development needs.

c) The Committee requested ECA and OECD to continue collaborating in the production of future reports.

**Presentation and discussion on the theme of the Conference: Enhancing the effectiveness of fiscal policy for domestic resources mobilization** [Agenda item 7]

49. Under this agenda item, the secretariat introduced the document entitled "Enhancing the effectiveness of fiscal policy for domestic resource mobilization" (E/ECA/COE/28/4, AU/CAMEF/EXP/4(IV)). The secretariat noted a significant gap between domestic savings and investment requirements in Africa and the need for more domestic and external resources to close the financing gap. The current global financial crisis had led to a decline in external finance and rekindled interest in boosting domestic resource mobilization as a sustainable source of development financing.

50. The key factors underpinning the case for enhanced domestic resource mobilization were outlined. Less volatile than external finance, domestic finance permitted country ownership of development policies and outcomes, reduced reliance on external flows and the risk of the Dutch disease, created incentives for more accountability and transparency in the use of public resources, and reduced vulnerability to revenue losses from trade reforms.

51. Despite progress in development finance, aggregate savings ratios in Africa were low relative to developing countries’ averages. Africa had made progress in boosting its tax revenue and its revenue performance was similar to that of other developing regions. However, there had been a significant decrease in the share of trade taxes in domestic revenue.

52. Fiscal policy had both short- and long-term functions, including macroeconomic stabilization and enhancement of productive capacity. However, it had been largely pro-cyclical in Africa owing to conditions imposed by international financial institutions, fiscal rules, and political economy considerations. Governments needed to exercise counter-cyclical fiscal policy to mitigate fluctuations in aggregate demand due to exogenous shocks. Key questions in that context related to
the use of fiscal policy in response to external shocks such as those arising from the global financial crisis, and in support of African development needs and priorities.

53. The effective mobilization of domestic resources in Africa required increasing public revenue and private savings rates, and enhancing the role of official development assistance. Although economic growth was necessary for domestic revenue mobilization, gaps still existed between tax capacity and tax revenue in several African countries. Fiscal measures were needed to boost revenue collection. They should aim to reduce tax exemptions and incentives for foreign investors, and increase tax rates on immobile factors (land and property) and luxury items.

54. Good governance played a key role in revenue generation as it could increase efficiency and accountability in the use of public resource link tax collection to service delivery; eradicate tax havens; and address issues of stolen assets. Success in mobilizing revenue also required dealing with the external debt problem of Africa. High debt resulted in capital outflows and debt servicing difficulties, and increased vulnerability to external shocks, with adverse consequences for output and revenue mobilization.

55. Boosting private savings required increasing the capacity of households and firms to generate income by creating an enabling environment for private sector development, including increasing public investment in infrastructure and strengthening domestic financial systems.

56. While Africa needed aid in the short to medium term, aid was more likely to support the long-run development objectives of African countries if it was directed towards boosting capacity for domestic resource mobilization. In that regard, aid allocation should place more emphasis on promoting infrastructure and enhancing productive capacities. Donors might opt for a matching-funds approach to aid allocation, whereas some recipient countries could decide to manage their capital accounts in order to stem capital flight.

Discussions

57. In the ensuing discussion, the Committee commended the secretariat for the comprehensive and insightful study and presentation, noting that domestic resource mobilization required a shift in mindset from dependence on donor support to internally generated revenue as a long-term goal. However, domestic resource mobilization and external resource mobilization should not be treated independently in policy formulation as they were intertwined. Aid remained critical for some African countries to bridge the gap between domestic savings and national investment needs.

58. The Committee highlighted the importance of macroeconomic stability for economic growth, which in turn was necessary for effective domestic resource mobilization. The role of government was particularly important during significant fluctuations in economic activity, such as those associated with the current world financial and economic crisis. In such a context, governments must adopt fiscal and monetary policies to stimulate domestic demand and mitigate the impact of the crisis. Moreover, the Committee reaffirmed that governments had a key role to play in creating an enabling environment for private sector development, including identifying growth sectors and promoting private sector investment in such sectors. That could be done in the framework of industrial and sectoral policies that addressed various constraints to domestic investment and created opportunities for private-public partnerships.
59. Some participants expressed concern over the vulnerability of African economies to external shocks and the lack of appropriate policy tools to strengthen their resilience in the face of economic crises. That called for the diversification of sources of production and income and better management of the reserves accumulated during the commodity boom. It was noted that some resource-rich African countries were better prepared to address the challenges posed by the recent crisis because they had been able to accumulate reserves, and that some countries had created stabilization funds to guarantee their medium-term financial stability.

60. The Committee noted that there was room for African countries to increase tax revenue, even though there were key constraints to revenue collection. Those constraints included institutional weaknesses, inadequate human capacity, lack of political will and the high cost of tax collection. Consequently, gaps existed between tax capacity and actual revenue generated, especially in post-conflict countries, which were characterized by weak economic institutions.

61. Some delegates outlined the institutional reforms and measures taken by their governments to improve tax administration and increase revenue collection. They included new institutional arrangements for effective public finance management; decentralized fiscal policies; streamlined tax policies and unified tax rates; new mechanisms for the enforcement of tax laws; and fresh incentives for compliance with tax laws. Some countries had established innovative mechanisms such as performance-based contracts between their revenue collecting agencies and their Ministries of Finance. The Committee stressed the important role of good economic governance in enhancing public finance management and tax compliance.

62. It was observed that improving natural resource management could go a long way to assist many resource-rich African countries to mobilize more domestic resources and become self-reliant over the long run. Natural resource exploitation contracts often offered tax incentives and conditions that could result in an unfair distribution of revenue when the economic circumstances changed. That notwithstanding, some African countries had improved resource sector management through the ratification and domestication of relevant international codes and standards.

63. In that context, the introduction of medium-term expenditure frameworks (MTEF) could help countries to harness domestic resources to finance public investment and promote transparency and accountability, especially in expenditure and service delivery. MTEF, as a result-based approach, could help governments to allocate public resources to their strategic priorities, and ensure overall fiscal discipline.

64. The Committee also pointed out that increasing the flow of household savings through formal channels would enhance domestic resource mobilization and utilization. In many African countries, household savings were mainly held in the form of physical assets outside the financial system because of lack of adequate incentives and limited access to modern banking and savings institutions.

65. The Committee also discussed the possible impact of macroeconomic convergence criteria adopted by some regional economic communities on the pro-cyclical or counter-cyclical nature of budgetary policy.

66. Given the important role of the informal sector in African economies and its potential contribution to domestic resource mobilization, the need to formalize the sector was acknowledged.
Providing an institutional framework and incentives for informal businesses to enter the formal sector could help government to generate more tax revenue. However, informal businesses would choose to register and join the formal sector on the condition that such a move would improve their chances of survival, growth and access to resources.

67. The Committee reaffirmed the need to raise tax revenue on physical assets and highlighted the challenges involved in that regard. In many African countries, property registration was too costly, making it difficult for government to tax physical assets. One way to address those challenges was to introduce reforms to facilitate property registration.

68. While real investment required long-term savings, the Committee noted that short-term savings were dominant in Africa, that was attributed to, among other factors, the lack of adequate financial institutions, including pension funds and deposit insurance. Banking and financial services in Africa were generally limited to urban centres and failed to cater for the diverse needs of savers and investors, especially in rural areas.

69. In the context of the current financial crisis, the Committee expressed concern over the slow flow of remittances as African immigrants lose their jobs. Despite the high unemployment rates as a result of the global economic recession, the Committee underscored the need for developed countries to exercise restraint in reviewing their immigration and labour market policies to ensure fair treatment of African immigrants. At the same time, African countries were urged to carefully assess how remittances could be used to foster domestic investment and growth. Currently, remittances were mostly channelled through unofficial means and primarily used to finance consumption.

70. Finally, the Committee expressed concern over the impact of capital flight and embezzled funds on efforts to mobilize domestic resources. There was therefore a need for improved global governance to increase transparency in capital flows, combat capital flight and recover embezzled assets.

Recommendations

71. The Committee made several recommendations aimed at enhancing the effectiveness of fiscal policy for domestic resource mobilization in Africa. In particular, it called on African governments to focus on long-term strategies to promote growth and expand the tax base. To that end, they should identify growth sectors and promote private sector investment in such sectors by, among other measures, deepening reforms to encourage registration of firms.

72. More specifically, the Committee recommended that:

a) African governments should introduce innovative mechanisms to improve tax collection and management, including institutional reforms to strengthen the link between revenue mobilization and public expenditure, and enhance transparency and accountability;

b) African governments should explore ways of formalizing the informal sector, taking into consideration the principle of equity and fair taxation, including registration and taxation of property and physical assets.
c) African governments should strengthen their financial systems and provide incentives for long-term savings, including effective mobilization of remittances for development financing;

d) Donors should direct more official development assistance to build capacity for domestic resource mobilization through increased investment in infrastructure and productivity-enhancing services.

e) African governments should work with development partners to combat capital flight and recover embezzled assets held outside Africa;

f) Resource-rich African countries should improve the management of natural resources and ensure that contracts for the exploitation of natural resources are fair and do not undermine the mobilization of domestic resources; they should also create stabilization funds to guarantee their medium-term financial stability;

g) AUC and ECA should undertake studies on how African countries can reduce the cost of collecting taxes and improve coordination between fiscal and monetary policies for effective domestic resource mobilization.

h) There should be better coordination between member States and the secretariat to ensure data accuracy and consistency.

Statutory items [Agenda item 8]

i. Presentation and consideration of the ECA Annual Report, 2009

73. Under this agenda item, the secretariat presented the ECA Annual Report, 2009 (E/ECA/COE/28/13) highlighting the main achievements during the period between May 2008 and May 2009. The work of ECA during the period was two-fold. First, it was aimed at consolidating activities and achievements in the context of the ECA repositioning, which had started in 2006. Second, it consisted of scaling up assistance to member States, AUC and the RECs in strengthening regional integration, meeting Africa’s special needs, and achieving poverty reduction and sustainable development based on ten sub-programmes: trade, finance and economic development; food security and sustainable development; governance and public administration; information and science and technology for development; subregional activities for development; development planning and administration; statistics; and social development.

74. The presenter provided a summary of the progress achieved during the reporting period, with consolidation of key activities and results initiated through the ECA repositioning exercise. The achievements cited had been more transparent for all the stakeholders due to the use of a result-based management (RBM) framework and appropriate indicators of success.

75. The presenter highlighted several accomplishments, including the organization in November 2008 in collaboration with AUC and AfDB of the Sixth African Development Forum in Addis Ababa where the issues discussed had included financing for gender equality, ending violence against women, and gender statistics. With respect to trade, the support provided to RECs to assist in international trade negotiations was cited. ECA had also organized, with AUC and AfDB, a
ministerial Conference on the financial crisis and its impact, provided analytical and technical support to the Committee of 10 Ministers of Finance and Central Bank Governors; and provided technical inputs to Africa’s position for the April G-20 Summit in London.

76. The secretariat reported that ECA activities were instrumental in implementing the African Peer Review Mechanism (APRM), as ECA had provided advice to the APRM Panel and secretariat on the implementation of review processes. With regard to information and communication technologies, ECA had organized in Addis Ababa, from 28 April to 1 May 2009, the first session of the Committee on Development Information, Science and Technology. The value added and relevance of the recently strengthened subregional offices to ECA activities was also underscored, especially the implementation of multi-year programmes and other activities undertaken jointly with the RECs.

Discussions

77. During the ensuing discussion and in its response to certain issues raised by some participants, the secretariat emphasized the critical importance of quickly filling the newly created posts and consequently decreasing the current overall ECA vacancy rate and recognized the special circumstances facing the least developed countries (LDC) and the Landlocked developing countries (LLDCs) in their development. It was further stated that the review of the Brussels Programme of Action for LDCs in the context of the Fourth United Nations conference on LDCs to be held in 2011 should be appropriately reported. Equally, human rights and gender mainstreaming into training programmes were recognized as genuine development concerns already being addressed by ECA.

Recommendations

78. Key recommendations emerging from the discussions were:

(a) Member States should improve their involvement in and ownership of SRO activities, particularly through appropriate-level representation in their respective Intergovernmental meetings and Intergovernmental Committees of Experts (ICEs);

(b) Member States should take note of the ongoing recruitment campaign and assist ECA in its efforts to recruit from the under-represented countries to quickly fill the new posts allocated by the General Assembly; and

(c) UNECA and the other development partners should endeavour to revive the United Nations Trust Fund for African Development (UNTFAD) in order to assist member States and the RECs in the implementation of their development plans and regional integration activities.

79. Finally, the Committee commended the secretariat for the quality of the presentation and for the creation of new posts by the General Assembly of the United Nations and took due note of the report.

ii. Report of the fourth Conference of African Ministers of Integration

80. In presenting this item, the secretariat informed the meeting that the fourth Conference of African Ministers of Integration had taken place in Yaounde, Cameroon on 7 and 8 May 2009 on
the theme "Partnerships and Integration in Africa". It was reported that, in addition to adopting the Minimum Integration Programme (MIP) as a dynamic strategic and continental framework for the integration process, the Ministers had reviewed the main partnerships Africa was engaged in with the rest of the world and considered ways and means of making them more relevant to Africa's integration and socio-economic development needs. The presenter highlighted some of the key recommendations of the Conference, including the need for Africa to rationalize its approach to its partnership engagements; the need to put greater emphasis on domestic resource mobilization; and the need for the AU Commission to enhance existing mechanisms dedicated to the coordination of partnerships.

81. The secretariat explained that the presentation had been for information purposes only and that the objective had been to inform Finance Ministers about decisions taken by Ministers in charge of Integration, given that some of those decisions also bore relevance to the activities of Ministries of Finance.

iii. Report of the meeting of legal and finance experts on the statutes of the proposed African Investment Bank

82. The secretariat presented the document entitled "Report of the meeting of legal and financial experts on the draft statutes of the African Investment Bank held in Tripoli, Libya from 11 to 13 May 2009" (AU/CAMEF/EXP/17(IV)), and outlined the main recommendations of the meeting. It also indicated that, with regard to recommendation concerning the subscription to capital of the Bank by member States, the other scenarios had been developed taking into account GDP and average gross national income (GNI) over three consecutive years.

83. Following the presentation, the Committee of Experts raised a number of concerns, including:

a) Terms and conditions for the distribution of the start-up capital;
b) Privileges and immunities pertaining to the headquarters and subsidiaries of the Bank;
c) Voting rights prorated according to capital subscription;
d) Alignment with AfDB and other existing African financial institutions;

84. An informal committee made up of a few member States (Algeria, Cameroon, Egypt, Libyan Arab Jamahiriya, Nigeria and South Africa) met and proposed amendments to the statutes to the Committee of Experts. Following the discussion on those amendments, the Committee of Experts, after adding a provision on annexes to be drafted subsequently and presented for validation by experts of the member States before being submitted to the extraordinary session of CAMEF scheduled for November 2009, agreed to submit the draft text to the Conference of Ministers for review and adoption. Those annexes would concern mainly the capital subscription formula and table, voting rights and determination of the basket of currencies to be used as the unit of account that would serve as the official currency of the Bank.
iv. **Implementation of the first Plan of Action of the Africa-EU Joint Strategy**


86. The presenter highlighted some of the key milestones in the Africa-EU Dialogue, the new strategic framework, the process leading to the adoption of the Africa-EU Joint Strategy and the first plan of action, and gave an overview of the implementation architecture. Also highlighted were some of the achievements so far in the implementation of the Joint Strategy, which included the endorsement of the implementation architecture, the formation of eight joint expert groups (JEGs) and the development of draft implementation road maps. Among the challenges highlighted by the presenter were the lack of stakeholder involvement, inadequate capacity of the JEGs to deliver, inadequate financial resources and the slow rate of implementation.

87. The Committee took note of the report and stressed the need for both the African and EU sides to commit adequate technical, financial and human resources to the implementation of the Plan of Action. The need to include more African stakeholders in the work of the JEGs was also highlighted as was the need to respect the one-Africa principle agreed in the Joint Strategy document.


88. The secretariat presented a note to the Committee on the Coalition for Dialogue on Africa (CODA) which was formally launched in Addis Ababa on 6 March 2009. The Committee was informed that CODA was a joint initiative by the African Union Commission, the African Development Bank and the Economic Commission for Africa to provide an independent forum for free discussion among State and non-State actors in order to influence the African development agenda. Unlike the Big Table that it had replaced, CODA was completely African-owned and based in Africa; the secretariat of CODA was based at ECA headquarters in Addis Ababa and was supported by ECA and AfDB. The operations of CODA were guided by an independent advisory board headed by H.E. Festus Mogae, former President of the Republic of Botswana.

89. The Committee took note of the presentation and welcomed the launching of this new initiative.

vi. **ECA proposed programme of work and priorities for the biennium 2010-2011**

90. Under this agenda item, the secretariat made a brief presentation using document E/ECA/COE/28/15 entitled, “ECA proposed programme of work and priorities for the biennium 2010-2011”.

91. In preparing the proposed work programme, the secretariat had been guided by the ECA repositioning and the Secretary-General’s report on enhancing the role of the subregional offices. The programme was structured around ten sub-progammes: trade, finance and economic development; food security and sustainable development; governance and public administration; information and science and technology for development; subregional activities for development; development planning and administration; statistics; and social development. The programme
prepared in line with the results-based management (RBM) principles would enable ECA and its member States to monitor progress and measure results based on predefined performance indicators and benchmarks.

92. The Committee appreciated the secretariats' efforts in preparing a well-structured work programme and proposed the endorsement of ECA programme of work.

vii. Consideration of the report of the first Congress of African Economists on Regional Integration

93. Under this agenda item, a representative of the AU Commission presented a document entitled “Report of the First Congress of African Economists on Regional Integration”. The first Congress was held in Nairobi, Kenya, from 2 to 4 March 2009 under the theme “Towards the Creation of a Single African Currency”. The Congress brought together African economists and researchers to discuss topical economic, political and social issues as they relate to Africa’s integration in order to propose measures for accelerating the integration process. An important outcome of the Congress was a recommendation to institutionalize it as a regular forum for discussion on integration issues in Africa.

94. The Committee took note of the report and proposed that future Congresses should also cover other areas of integration such as human and social development, in addition to economic issues.

viii. ECA report on the repositioning of the African Institute for Economic Development and Planning (IDEP)

95. Under this agenda item, the Deputy Executive Secretary of ECA, Ms. Lalla Ben Barka, on behalf of the Executive Secretary, introduced document E/ECA/COE/28/14 entitled, “Report on the repositioning of the African Institute for Economic Development and Planning (IDEP)”. The report was prepared in response to resolution 858 (XLI) adopted by the forty-first session of the Economic Commission for Africa (ECA) in April 2008, requesting the ECA Executive Secretary, in his capacity as Chairperson of the Governing Council of IDEP, to take steps to alleviate the immediate financial difficulties of the Institute and elaborate a plan for its repositioning.

96. The Committee was informed that a resource mobilization campaign undertaken by the Executive Secretary to put the Institute on a more secure financial footing had started to yield encouraging results, as some member States were beginning to meet their financial obligations to the Institute. The Deputy Executive Secretary also informed the Committee of the appointment of a new Director for the Institute as part of the repositioning efforts embarked upon by the ECA Executive Secretary. The new Director is Mr. Adebayo Olukoshi, a renowned scholar and development researcher.

97. Mr. Olukoshi made a brief presentation and broadly outlined the new vision and strategic orientation of the Institute. Key elements of the new orientation included measures being taken to revamp the training programmes of the Institute to make them more relevant to the needs of member States, with particular focus on promoting and nurturing indigenous capacities for a new development paradigm in Africa. In this regard, the Institute would explore the use of appropriate information and communications technologies to deliver its training and capacity-building
programmes in order to bring the services of the Institute closer to its clients and undertake tailor-made programmes to ensure that they reached a wider audience. Partnerships with relevant research and training institutions and centres of excellence, including other ECA Divisions and United Nations agencies, will also be pursued.

98. A full report on the repositioning of IDEP is expected to be finalized for presentation to the next Conference of Ministers in 2010 after consultations with relevant stakeholders across the continent.

Discussions

99. In the ensuing discussions, the Committee reaffirmed the mission and core mandate of the Institute, particularly with the resurgence of planning as a critical function in many African States. Moreover it was noted that several development training institutes had emerged in Africa in recent years. In that connection, the Committee underscored the need for the ongoing review to firmly establish the niche and comparative advantage of IDEP as a major centre for applied policy research and training in Africa.

Recommendations

100. The Committee welcomed the updated report on the repositioning of IDEP and endorsed the steps taken to date to rebuild the finances of the Institute, renew its leadership, and revamp its programmes. The Committee also welcomed the new Director of the Institute and extended its support and cooperation to him. It endorsed the broad vision for the renewal of IDEP presented to the Committee. The Committee further encouraged the leadership of IDEP to continue the consultative process for the speedy completion of the repositioning of the Institute, including the innovative measures proposed for financing and revamping the programmes of the Institute.

101. The Committee noted with appreciation the contribution made by member States to date and called upon those who had not done so to support the repositioning process of the Institute.

Any other business [Agenda item 9]

102. No issue was raised under this agenda item.

Consideration and adoption of the draft report of the Committee of Experts and draft resolutions [Agenda item 10]

103. Under this agenda item, the Committee considered the draft report of its meeting (as contained in document (E/ECA/OE/28/L, AU/CAMEF/EXP/Draft/Rpt (IV)), together with eight draft resolutions for consideration and adoption by the second Joint Annual Meetings of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development. Several delegations made comments and observations and proposed amendments to the report. After constructive discussions by participants, the Committee adopted the present report, together with the eight draft resolutions, attached as annex, as amended for consideration by the Conference of Ministers.
Closing of the meeting [Agenda item 11]

104. The Deputy Executive Secretary of the ECA, Ms. Lalla Ben Barka made brief closing remarks on behalf of the Executive Secretary, Mr. Abdoulie Janneh. She expressed her satisfaction with the deliberations and thanked the participants for their contribution to the discussions. She underscored the importance of the theme of the Conference and expressed the hope that the recommendations and outcomes of the meeting will provide a basis for effective policy making in enhancing domestic resources mobilization in support of Africa's development. In addition, she noted that this was the second year in a row that the AUC and ECA had successfully organized the joint meetings of their statutory bodies, which further strengthened the collaboration between the two institutions.

105. In his closing remarks, Dr. Maxwell Mkwezalamba, Commissioner for Economic Affairs of the AU Commission, congratulated the secretariat of the ECA and AU for a very successful meeting. He also expressed his appreciation to the Chairperson of the Bureau for the orderly and timely manner in which he conducted the meetings. He reviewed some of the issues discussed by the Committee, including regional integration, the statutes of the African Investment Bank, and the theme of the Conference. He urged the meeting to provide support the processes of regional integration in Africa, particularly the Minimum Integration Programme of the AUC. Furthermore, he expressed appreciation for the support shown by the Committee for the African Investment Bank and assured the meeting that the AU Commission would work with member States to finalize the statutes for the establishment of the Bank.

106. In his closing remarks, the Chairperson of the Committee, Mr. Hany K. Dimian, Deputy Minister of Finance of the Arab Republic of Egypt, thanked all the participants for their active contribution to the discussions. He noted that the discussions had been substantive and constructive because of the proposals and recommendations made. He also commended the Committee for the diversity of views expressed, which he observed, reflected the commitment to find solutions to common development challenges that African countries faced. He added that he was impressed with the range of ideas and proposed policy measures for boosting domestic resource mobilization.

107. Finally, the Chairperson thanked the secretariat for the hard work in preparing and servicing the meeting. He then declared the meeting closed.