

AFRICAN UNION

الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

Addis Ababa, Ethiopia

P. O. Box 3243

Telephone: 5517 700

Fax: 5517844

Website: www.au.int

EXECUTIVE COUNCIL

Thirtieth Ordinary Session

22 - 27 January 2017

Addis Ababa, ETHIOPIA

EX.CL/1003(XXX)Rev.1

Original: English

**REPORT OF THE FIFTH RETREAT OF
THE EXECUTIVE COUNCIL**

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P. O. Box 3243

website: www.au.int

Telephone: 517 700

Fax: 5130 36

**FIFTH MINISTERIAL RETREAT OF
THE EXECUTIVE COUNCIL
8-9 December 2016
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OUTCOMES DOCUMENT

INTRODUCTION

1. The 5th Ministerial Retreat of the Executive Council met in Addis Ababa on 8-9 December 2016, as part of ongoing work of this Organ of the African Union, to monitor progress on the implementation of Agenda 2063, the embodiment of the aspirations of citizens for the Africa they want.
2. Previous such Ministerial Retreats were held in Bahir Dar (2014), Sandton (2015), Mek'ele (2016), and Nairobi (2016), focusing on Agenda 2063, institutional issues, and key strategic interventions to advance Pan Africanism and integration.
3. The Retreat was attended by Ministers of Foreign Affairs of AU Member States, representatives from Regional Economic Communities (RECs) and AU Organs, PRC Ambassadors, the Acting Executive Secretary of UNECA, Dr. Abdullaah Hamdok, Dr. Ibrahim Mayaki, CEO of NEPAD, Prof Emmanuel Nnadozi, Executive Secretary of ACBF, representatives of the AfDB President, Dr. Carlos Lopes, former UN Undersecretary and Executive Secretary of UNECA and Officials from Member States Capitals, Organs and the A U Commission.
4. The **Opening session** was chaired by the H.E. Moussa Faki Mahamat, Minister of Foreign Affairs of the Republic of Chad in his capacity as Chairperson of the African Union Executive Council. Opening and welcome statements were made by Federal Democratic Republic of Ethiopia, Foreign Minister Dr. Workneh Gebeyehu, AU Commission Chairperson Dr. Nkosazana Dlamini Zuma and the Executive Council Chairperson, Chad Foreign Minister Moussa Faki Mahamat.
5. The Retreat observed a minute of silence in remembrance of Fidel Castro, and recognized the contribution of Cuba under his leadership to the African cause against colonization and apartheid, to developing countries and to health and education in Africa.
6. The Addis Ababa Retreat focused on three issues: (a) current Global trends and balance of forces; (b) the draft Commodities Strategy; and (c) Agenda 2063.

GLOBAL TRENDS, BALANCE OF FORCES: AFRICA FIRST

7. The Session was moderated by the Minister of Foreign Affairs of Rwanda, H.E Louise Mushikiwabo. Dr. Carlos Lopes, keynote presenter, highlighted key socio-political and economic developments in the world, and the implications for Africa.
8. These global developments, including globalization that precipitated the 2008/9 financial crisis, demographic trends, changes in production, increasing digitalization of economic activities and advances of information communications technologies are resulting in tectonic shifts in the nature of national and global politics.
9. These shifts include the impact of social media and exponential computational capacities and large data on politics, information, campaigning and public debates; the development of new types of class systems as economies change and education and knowledge becomes a premium; control over financial systems and fiscal policy

with deregulation, and new digitized and globalized value chains; and the emergence of regional trade blocks.

10. Moreover, the demographic change towards a rapidly ageing world, except for Africa, and the resultant pressures on social security and health systems, and therefore on financial systems, is already a determinant factor in financial systems and the risk appetites of affected countries and regions. It has fundamental implications for the traditional social impact, of sacrifices of current generations (in forms of taxes and investments) to ensure that future generations are better-off. With the burden of ageing populations, who soon will be the majority in these countries, this traditional concept of the social compact is under severe strain.

11. As inequality within countries rise, to amongst the highest levels in recorded history, there is therefore a need for a new approach towards the social compact and redistribution, which also includes sustainable usage of the planet's resources, to the benefit of both current and future generations.

12. Although many of these trends, find different expression in Africa, especially with regards to demography, resources and fiscal pressures, the impact of these global developments mentioned will and are having an impact on the continent.

13. The key consequences and therefore African responses therefore have to centre around the following areas:

- Breaking out of the current dependence on commodities, ensuring diversification through value addition and industrialization;
- Fiscal reforms so as to strengthen domestic resource mobilisation, with Africa having the least tax burden (average 17% against global average of 38%), and ensure accurate information about our economies;
- Given technological disruptions, there is a narrow window for industrialization, the establishment of the CFTA in this regard, with larger regional markets as imperative for industrial policy;
- Harnessing African demographic dividend through investments in education, skills and knowledge, tackling youth unemployment and underemployment;
- Addressing the representational and governance challenges facing the continent, to undermine the appeal of terrorism and extremism, strengthen the integrity of elections and respect for inclusion and diversity;
- Tackle inequalities and develop a social compact, advocated for in Agenda 2063, as part of the dividend of democracy and participation.

14. The Retreat deliberated on the issues raised by Dr. Lopes, deepening the analysis of the issues faced by Africa, and on the key areas for action for the continent to navigate the global terrain, as it seeks to transform and advance the Pan African cause and aspirations.

15. The Addis Ababa Retreat emphasized and reiterated the following issues:
- a) Democracy should be predicated on the principles of inclusion, popular participation and elections should not be seen as a quick-fix solution to crisis;
 - b) Greater emphasis on regional and continental integration that encourages intra-African trade, free movement of persons, services and capital;
 - c) Focus on industrialisation through value addition and beneficiation of raw materials; introduce measures to protect critical African resources and boost intra-African trade;
 - d) Deliberate efforts to protect Intellectual Property Rights to safe guard Africa's innovations and discoveries, and implementation of AU decisions already taken on this matter, utilizing existing intellectual property centres and establish new ones as appropriate;
 - e) Domestication of African Union decisions into National and Regional programmes, encourage Member states to establish AU national offices and projects as well as the popularization of AU activities in and by countries;
 - f) Member States to be encouraged to pool their national reserves into the African Development Bank to boost the fundamentals of the bank and stimulate development on the continent;
 - g) Recognising the growing role of the financial sector globally, there is need to consolidate and diversify African banks to ensure economies of scale;
 - h) Take charge of the African narrative and brand to reflect continental realities, aspirations, priorities and Africa's position in the world;
 - i) The AU institutional reforms should speak to the tectonic shifts, and as critical enablers for the implementation of Agenda 2063;
 - j) Domestic mobilisation of financial resources to speed up African development and fund African institutions and programmes;
 - k) Greater emphasis on the adaptation and mitigation of climate change and implementation of common positions and strategies adopted.

16. The Addis Ababa Retreat made the following strategic **recommendations**, to be considered for immediate action and to be taken forward by the AU policy organs:

- a) Meet the AU target of launching the Continental Free Trade Area (CFTA) by 2017, with benchmarks and timelines. This should include the

- appointment of an African Trade Negotiator to negotiate on behalf of the Continent, and assist with building capacity of Member States;
- b) Increase investments in human capacity development, education and skills; in sciences, technology, innovation and research, to reap the demographic dividends, with special focus on the empowerment of youth and women;
 - c) Redirect and manage Africa's strategic partnerships in the interest of the continent and in a streamlined and results-oriented manner, so as to support our transformation agenda and ensure quick-wins;
 - d) The need for greater unity and solidarity, for acting together, speak with one voice were reiterated, as well as building strong institutions to manage the challenges, make use of opportunities and overcome external agendas that are to the detriment of the continental agenda;
 - e) Harnessing private sector and academic participation to give greater voice to them in the decision making process within the African Union, through such fora as the African Economic Platform;
 - f) Africa should promote its identity and core values, putting Africa first and advancing her interest within the context of globalisation;
 - g) Accelerated industrialisation by setting a continental target of 20% value addition by 2020 to all African raw materials and exports. The current rate of value addition is 17%;
 - h) Accelerate fiscal reforms, as key to domestic resource mobilisation, including urgently putting in place measures to ensure up to date national accounts and economic data;
 - i) Consider the introduction of an Electoral Integrity Pact (to be defined), based on the core values of the African Charter on Democracy, Elections and Governance. Such an integrity pact should also address elections in conflict situations, the integrity of elections, management of diversity and mechanisms for inclusion;
 - j) Consider the Security Pact for Africa, in line with the African Peace and Security Architecture (APSA) and the roadmap and practical steps to silence the guns by 2020.

TOWARDS AN AFRICAN COMMODITIES STRATEGY

17. The Session was moderated by the Minister of Foreign Affairs of Uganda, HE Sam Kutesa. The Bahir Dar Ministerial Retreat of the Executive Council of January 2014 tasked the AUC to develop an African Commodities Strategy for consideration.

This call was reiterated during the deliberations of the Retreats in Me'kele and Nairobi on the African Paradox.

18. The objective of the AU Commodity Strategy is to address issues of pricing and beneficiation of African Commodities and currency fluctuations. The strategy focuses on three main sectors: Minerals, Agriculture and Energy and builds on existing continental initiatives such as the African Mining Vision, CAADP, AIDA and PIDA.

19. The Commissioner for Trade and Industry, HE Fatima Acyl presented the draft African Commodities Strategy, highlighting the absence of Africa from global supply chains, except as provider of raw materials. The draft Strategy focuses on two cross cutting issues: Commodity-based Industrialisation and Management of Price Volatility.

20. ***Commodity-based Industrialisation*** must include the follow elements:

- The adoption of coherent industrial related to key markets;
- Targeted value addition to raw materials as part of industrialization;
- The establishment of industrial zones and manufacturing parks;
- Strengthen capacity and institutions for industrial policy implementation;
- Develop and regulate Local Content Policy;
- Facilitate lead-firm procurement, sourcing and processing from local suppliers;
- Boost local skills and technologies;
- Address infrastructure bottlenecks;
- Coordinate Ministries to improve policy implementation (Finance, Trade, Urban Planning);
- Foster regional value chains and intra-Africa trade.

21. ***Management of Price Volatility*** must include the following elements:

- Control and input in quantities of Commodities exported;
- Build up of stock to help moderate prices;
- Establishment of buffer stock operations.

22. The Commissioner Rural Economy and Agriculture, HE Tumusiime Roda Pease in her input focused on ***Agricultural commodities***, which include crops, livestock, as well as fisheries. Agriculture employ 60% of the continental labour force, and contribute 16% of African GDP.

23. The Commissioner therefore underscored the following issues with regards to agricultural commodities at a practical level: Implementation of the Malabo Declaration to speed up modernization of agriculture, and a major drive towards agro-processing and agribusinesses; Explore innovative ways for resourcing agribusinesses; Encourage and create environment for growth of African private sector through incentives; Utilize Services and Institutions to support the Agricultural Industry; Build Capacity of Farm Organizations; Reform Land Policies; Learn from success stories of countries such as Malaysia, Indonesia and others, including sharing best practice amongst African countries. The Commissioner also

encouraged Member states to adopt more vigorous marketing of the Made in Africa brand.

24. The Retreat in its deliberations on the African Commodities strategy emphasized and added the following issues, to inform the final strategy:

- a) Africa must first and foremost produce and industrialise targeting national and regional markets and export the surplus;
- b) Member States should invest in technological know-how and development of human capital;
- c) Promote Private-Public Partnership within Africa, as well as with foreign partners;
- d) Consider the tax implications of the creation of infrastructures for industrialization; and mobilization of funding for new infrastructures to promote rural and urban industrialization; encourage investment in Africa's transformative sector; attract investments into rural agro-processing sectors through provision of infrastructure and appropriate fiscal incentives;
- e) Price control in mining can be achieved if countries have accurate knowledge of their geological resources;
- f) National laws must define and specify criteria for negotiations of contracts, in context of draft model law proposed at Kigali Summit as a guide, including dealing with such matters as corporate social responsibility, local content, development of local communities during mining and upon closure of mining operations, and debt ratios in contracts to avoid legalizing illicit financial flows;
- g) Development of a collective mechanism at continental level for strategic commodities and establish milestones for value addition to be created within the selected product with the view to control and/or influence pricing;
- h) Use of Competitive measures to promote infant industries, including incubators for youth and women working on value addition in the agribusiness sector;
- i) On Agricultural commodities, Africa's collective food security must be used as a key objective and lever.

25. The Addis Ababa Retreat made the following **recommendations** towards the finalization of the African Commodities Strategy:

- a) Process to finalise Strategy and present it to the AU Policy organs for adoption by Member States;
- b) Implement the 2014 Malabo Declaration and build on existing continental initiatives such as AMV, 3ADI, CAADP, AIDA and PIDA;

- c) Changing patterns of consumption in favor of local quality products;
- d) Build information and knowledge on productive strengths and capacities, as part of boosting Intra-African Trade;
- e) Coordinate Ministries to improve policy implementation (Finance, Trade and Industry and Planning);
- f) Foster regional value chains and intra-Africa trade by utilizing services and institutions to support the Agricultural Industry, value addition and industrialization of Commodities;
- g) Mobilize funding for new infrastructures to promote rural and urban industrialization;
- h) Develop local content policy, boost local skills and technologies, develop and promote MADE IN AFRICA brand;
- i) Harmonize policies with regard to the debt ratios in mining contracts in order to avoid legalizing illicit flows of finances;
- j) Strengthen mining contract negotiations, including such provisions as Corporate Responsibility and local content for the benefit of local communities during mining and after closure of mining activities;
- k) Learn from best practices in other regions and from African countries;
- l) Promote Africa's position in Regional and Multilateral Trade agreements on Agriculture;
- m) Meet the target set for the launch of the CFTA, towards boosting Intra-African Trade, and as a strong sign of integration, creating a Single Market for local production, and consumption.

AGENDA 2063

26. The Session was moderated by the Minister of Foreign Affairs of the Federal Republic of Nigeria, HE Mr. Geoffrey Onyeama. This session is a regular feature of all Retreats, to plan and monitor Agenda 2063, and recommend strategic interventions to the policy organs. Presentations were made by Commissioner for Economic Affairs, Dr. Anthony Mothae Maruping, Dr. Abdalla Hamdok, Executive Secretary of UNECA and Dr. Ibrahim Mayaki, Chief Executive Officer of the NEPAD Programme and Coordinating Agency.

27. The presentation of Commissioner Maruping focused on implementation of Agenda 2063, highlighting the following issues:

- Domestication is being done at national and RECs level, in the Commission and the AU Organs, and should be done with various sectors of civil society as well;

- There are 78 core indicators that have been developed and validated by AU Director Generals of Statistics on Agenda 2063 and SDGs in order to track performance;
- An Accountability architecture is in place comprising of three layers: (a) experts from the different institutions; (b) CEOs of these organisations; and (c) Ministers;
- Thirty-two countries have to date worked with the AU Commission and others on their national domestication processes. A workshop was held in Maseru with those countries, to share experiences and to chart the way forward on domestication;
- The 17 SDG's and the High Fives of the AfDB are encompassed in Agenda 2063.

28. Dr. Abdallah Hamdock, Ag Executive Secretary of UNECA compared Agenda 2063 and the Sustainable Development Goals, and indicated that Agenda 2063 contained specific goals, which are not part of the SDGs. He recalled that SDGs were formulated on the basis of an African common position. He pointed out challenges and opportunities with regard to the implementation of Agenda 2063 as follows:

- The need to embark on sensitization and awareness process on the two agendas. At country level, there seems to be less awareness on SDGs than on Agenda 2063, and therefore there is need to balance;
- The need for an integrated framework for effective national plans, breaking down institutional silos, and establishing national committees on Agenda 2063;
- On Monitoring and Evaluation, to adopt a single architecture on both agendas;
- With regard to financing, Africa should be able to tap into its domestic resources by stopping illicit flows and implementing alternative sources of funding;
- Partnership should be more focused on trade and pay more attention to South-South cooperation.

29. Dr. Ibrahim Mayaki, CEO of the NEPAD Agency spoke on key implementation challenges as follows:

- In terms of commonalities of Agenda 2063 and the SDGs, there is 90 % convergence on goals as well as convergence on targets; this is a good foundation for a common reporting mechanism. The main difference is that Agenda 2063 is a transformative political tool, whereas the SDGs are

technical. Agenda 2063 has however a technical plan in terms of the ten year implementation plan and process. Leaders need to take it as a priority, then experts at technical level will ensure that implementation is carried out;

- Agenda 2063 is a people agenda, designed in a bottom- up process, therefore implementation will also need to take into account the same process. Both private sector and civil society will need to be organized to back up the implementation;
- There is need to focus on three levels for implementation: national level, between domestic and regional level and continental level to ensure coherence across the three levels;
- Flagship projects are progressing steadily and have a coherent link with the continental strategic frameworks such as PIDA, CFTA, BIAT, AIDA , STISA, etc. The advantage is that each one has a results framework with indicators to allow for sound reporting.

30. Dr. Mayaki highlighted the following three key Implementation challenges:

- First challenge is vertical, requiring integration of Ministries at country level and therefore they need to be sufficiently capacitated. Capacity at national level depends on 2 factors, quality data, and integration into domestic plans;
- Second challenge is horizontal integration, where countries are implementing continental strategic frameworks and need to domesticate Agenda 2063; countries may face problems of methodology, therefore they should first start with Agenda 2063, then rationalize integration of other strategic frameworks by filling spaces that are empty including SDGs;
- Third challenge is resources mobilisation, where domestic resource mobilisation is fundamental. New figures of illicit financial flows are way beyond USD50 billion, through both transfer pricing and money laundering, and this money sits in banks outside Africa.

31. In conclusion, Dr. Mayaki referred to some critical conditions for success of implementation: (a) it has to be a mission of the leadership; (b) allocation of resources need to flow to these prioritized projects, and (c) to address the key issues of project preparation and making them bankable.

32. The Addis Ababa Retreat made the following comments and observations:

- i) Accelerate and prioritise the popularisation and domestication of Agenda 2063 and ensure mainstreaming of the Agenda 2063 aspirations and priorities in their government-wide planning, budgeting and policy and legislative frameworks;

- ii) Actively engage all sectors, including the private sector, civil society, farmers, cultural organisations, the media - in the implementation and monitoring of the priorities and indicators of the Ten Year Implementation plan at local, sub-national, national, regional, continental and sectoral levels and also continually engage Parliaments, and our people;
- iii) National and regional planning systems need to be strengthened to drive implementation mainstreaming of Agenda 2063 initiatives and domestic resource mobilisation and allocation should be a priority;
- iv) Acknowledge the convergence of targets and goals between Agenda 2063 and the Sustainable Development Goals, and the need to synchronize their reporting and evaluation mechanisms;
- v) Domestic and external resource mobilisation to implement the Agenda 2063 First Ten-Year Implementation Plan including combatting corruption and Illicit Financial Flows;
- vi) Encourage research and the development of the green, blue and renewable energies;
- vii) Expedite the implementation of the Flagship programmes for instance the Great Inga Dam which will produce 42000 Mega Watts of power to address Africa's huge energy deficits;
- viii) Develop a strategy to meaningfully engage Member States in the process implementing Agenda 2063 and its First Ten Year Implementation Plan.

33. The Retreat recommended as follows:

- i) Strengthen ownership of the entire process of Agenda 2063, particularly domestication into national development plans. The implementation of Agenda 2063 is not only a technical process, but predominantly a political process;
- ii) Effective awareness and popularisation campaigns in Member States;
- iii) Effective domestic and external resource mobilisation;
- iv) Engage the private sector in raising resources for financing our agendas. We must develop modalities to encourage African businesses to invest in the continent, including incentive frameworks to mitigate risks and protect investments, including in and from countries in transition;

- v) Encourage South-South cooperation, in addition to North-South cooperation and partnerships to attract investments and boost industrialisation;
 - vi) Articulate the role of the African Diaspora in the implementation of Agenda 2063 and the SDG's;
 - vii) Also enable Member States to provide reports on the implementation of Agenda 2063, based on reporting guidelines provided by the Commission.
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