



**AFRICAN UNION**

**CATALOGUE OF PROGRAMME  
OF ACTIVITIES 2006-2008**

**MANDATE, MAIN OBJECTIVES AND FUNCTIONS  
PRIORITY PROGRAMMES  
MAJOR ECONOMIC CHALLENGES FOR CONTEMPORARY AFRICA**

**DEPARTMENT OF ECONOMIC AFFAIRS**

**March, 2006**

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**Article 12 of the Commission's statutes defines the portfolio of the Department of Economic Affairs as follows: Economic integration, monetary affairs, private sector development, investment and resources mobilization.**

## **I. MANDATE, MAIN OBJECTIVES AND FUNCTIONS**

The Department of Economic Affairs has as its mandate to initiate and promote policies and strategies aimed at strengthening coordination, harmonizing continental initiatives as regards economic integration, and developing regional cooperation. This portfolio equally endeavours to promote policies that support investments and mobilize development funding and accelerate the establishment of joint institutions such as the African Central Bank, the African Investment Fund, and the African Monetary Fund.

### **I.1. Objectives**

- (i) Coordinate, harmonize and facilitate all activities aimed at consolidating the integration process at regional and continental levels;
- (ii) Promote the effective establishment of institutional links between the organs of the African Union and the RECs;
- (iii) Assist in the establishment of appropriate economic and financial institutions, particularly those provided for by the Constitutive Act of the Africa Union;
- (iv) Facilitate the adoption of joint macroeconomic and sectoral policies adapted to the needs of the Continent;
- (v) Promote international economic cooperation, particularly with economic groupings from other regions of the world;
- (vi) Develop strategies aimed at resolving the debt crisis in Africa;
- (vii) Assist Member States in finalizing appropriate poverty-eradication policies;
- (viii) Mobilize resources with the view to funding economic development projects.

## **I.2. Main functions**

- (i) Develop policies and strategies to accelerate economic integration;
- (ii) Ensure coordination of activities relating to development of the economic integration process;
- (iii). Assist in promoting the private sector at national, regional and continental levels;
- (iv) Promote domestic savings in Africa as well as international financial contributions;
- (v) Develop monetary and fiscal policies and strategies and propose measures to resolve the debt problem;
- (vi) Ensure coordination of development frameworks of African economies at national and regional levels;
- (vii) Promote and facilitate economic policies that have an impact on the different stages of development between the RECs with the aim of realizing the Common African Market;
- (viii) Strengthen the ECOSOC for active participation of the civil society;
- (ix) Undertake actions to mobilize direct domestic and foreign investments for the development of all economic sectors;
- (x) Initiate policies and strategies in order to accelerate the implementation of the Abuja Treaty instituting the African Economic Community (AEC) and facilitate the adoption of viable economic development programmes for the Continent;
- (xi) Assist Member States in international negotiations, particularly those that take place within the framework of the Cotonou Accords;



- (xii) Ensure follow-up of initiatives to which Africa is committed namely, TICAD, the China-Africa Forum and the Africa-Europe Summit;
- (xiii) Coordinate the joint AUC/ECA/ADB secretariat.

## **II. PRIORITY PROGRAMMES**

### **II.1. General Observations**

Today's economic world is characterized by big groupings, the domination of the market economy symbolized by the globalization phenomenon and by a fierce competition between economic actors. In this context where weak economies are marginalized and rendered constantly precarious, Africa our continent witnesses a paradoxical situation: on the one hand, the continent is potentially the richest, while on the other hand, is the poorest continent where all economic indicators are signalling red. In the light of this sombre picture what would be the African Union Commission's role, the institution charged with supporting African countries in their daily struggle with misery and poverty? In other words, what representation or economic dream must the Commission offer to Africa? In an anticipatory move, the role of the Commission must from an economic perspective, propose to member states programmes of activities aiming to:

- (i) Definitively remove Africa from the dead-end of misery and poverty;
- (ii) Implement economic policies (monetary, budgetary...) that are realistic, coherent, efficient and allow for the curbing of domestic and external shocks, or even contain all the imbalances that characterize contemporary economic relations;
- (iii) Align African economies with the globalized economy through:
- (iv) Good public and private economic governance (first pillar of NEPAD);

- (v) Development of the African private sector alongside a public sector capable of giving impetus and dynamism to the national economy if need be;
- (vi) Endogenization of development finance leverage through real domestic savings mobilization policies and the development of bank and non-bank financial intermediaries that are credible, reliable and capable of playing an active role in the international financial market...
- (vii) Develop a managerial, corporate and risk management culture that would enable African businessmen or African economic operators to compete without complex with their partners from the rest of the world;
- (viii) Promote functional relations between principal activities sectors to bring into play resultant reciprocal effects;
- (ix) Prioritize regional approaches at the expense of "Micro-States" approaches;
- (x) Build regional and continental integration from the base (meaning by fully involving the beneficiaries) and not the contrary.

When all is said and done, the Commission must send to Member States, signals that favour the introversion of economic policies and strategies, a sine qua non of an economically developed Africa, a credible partner whose opinion is sought after in international bodies and capable of contributing significantly to modern economic development of the world and provide its populations well-being through the establishment of full employment policies.

Furthermore, the Commission must contribute in the advent of new types of citizens that would consider themselves as the foremost and indispensable actors for the economic development of their continent; who accept to compete without complex and in dignity with citizens of the rest of the world in

order to enable their continent realize strong and sustainable economic growth, without which misery and poverty will continue to prevail; and who accept to involve and permanently go back to their roots in Africa's cultural virtues in order to meet all the challenges of modernity while preserving their dignity and identity.

To translate this perception into reality, the Department of Economic Affairs proposes the following line of action:

- (i) **Conceive programmes of activities**, implement them through already existing programmes that have been carried out or are being carried out on the ground in the countries and regions. Such an approach has the advantage of benefiting from the adherence of economic and political actors in the countries and regions, which offers *de facto* an opportunity for success for the Commission's initiatives.
- (ii) **Prioritize regions** as an implementation area of projects destined for Member States (third pillar of NEPAD). Consequently, it is important to encourage a gradual and selective approach in the regional and continental integration process. In other words, countries which meet the conditions linked to the convergence criteria in a given group must move to the next stage in the integration process; it is up to those who failed to succeed the integration process to realise economic performances in order to rejoin the countries leading the race. Embarking all the countries at the same time, or waiting for all the countries to meet to move from one stage to another is not only liable to hamper the integration process (by slowing it down), but is also liable to lead countries to be less inclined to realise economic performances.
- (iii) **Massive public investment** to develop physical infrastructure that from the perspective of economic analysis has very little interest for the private

sector (local or foreign) due to the fact that these infrastructures come under the purview of natural monopoly due to additional costs that their development would incur.

- (iv) **Through various legislations, invite** transnational firms to develop their activities in line with the vision of the AU Commission.
- (v) **Encourage the advent of “pacesetter” countries in the regions** on the basis of economic performance data. From henceforth, such countries must accept to be net contributors to community budgets while the others are net beneficiaries. The example of the European Union where Germany, France and the United Kingdom play the role of net contributors could serve as a model. Here, the idea is that the integration process must be accomplished in a spirit of solidarity without which the process would be greatly handicapped.
- (vi) **Initiate the Economic Summit of Heads of State and Government.** Such an initiative has the merit of offering African leaders the opportunity *reflect exclusively* on the continent's economic challenges and to take bold political decisions to meet them. Because the present organization format for summits favours political issues to the detriment of economic dossiers. It would never be repeated enough that it is almost impossible to establish peace, stability and security (major political issues) in Africa as long as the latter continues to be characterized by misery and poverty. Peace cannot be sustained in an environment of misery where people have lost all hope. Furthermore, the economic summit offers the opportunity to Executive Heads of RECs to present in plenary to Heads of State and Government their respective reports in the regional integration process. Thus, experiences can be shared

and political decisions could be taken in order to re-launch the engine of integration. It must be underscored that the initiative for the Economic Summit already received the political endorsement from the AU/RECs Coordination Meeting of Lusaka held in March 2003. It is time to implement the project whatever the price may be; because the success of economic integration in Africa has no price. We propose that one of the current summits be devoted to economic and social issues.

- (vii) Constantly assess the various initiatives conceived for Africa in order to appreciate progress achieved and to bring out obstacles connected to their implementation. This concerns TICAD, Africa-Europe Dialogue and China-Africa Forum.
- (viii) Yearly or biennial evaluation of the real impact of international financial institutions' policies on Africa's economic development; particularly, those related to the policies of the Bretton-Woods institutions.

## **II.2 Activities**

The programmes of the Commission are structured basically around activities articulated along three main axes, namely, institutional transformation, economic integration and shared vision. All the same, we must emphasize that these activities are neither exhaustive nor permanent. They are reviewable each year according to priorities of the moment.

### **II.2.1. Institutional transformation**

#### **II.2.1.1. Creation of financial institutions provided for in article 19 of the Constitutive Act**

The African Union in article 19 of its Constitutive Act provides for the creation of three financial institutions as real symbols of our continent's integration. These are:

- The African Central Bank (ACB)
- The African Investment Bank (AIB) and
- The African Monetary Fund (AMF).

The establishment of these three financial institutions will complete the implementation process of a united, supportive and prosperous Africa. The urgency to create these institutions was recommended by the Heads of State and Government meeting in Abuja (Nigeria) at their 4th Ordinary Session. A detailed report of the creation process for these financial institutions and the protocols governing their daily operations are to be produced in the near future.

Decision **No. Assembly/AU/Dec. 64(IV)** of the Abuja Summit attributes the seat of the African Investment Bank to Libya, the seat of the African Central Bank to West Africa and that of the African Monetary Fund to Central Africa. Decision **No. EX.CL.Dec. 242(VIII)** taken in Khartoum urges the latter two regions to organize consultations between themselves in order to communicate their choice to the Commission at the latest on 31 March 2006. In the weeks to come, the Commission envisages to put in place three technical steering committees (one committee per institution) aimed at accelerating the advent of these institutions.

#### **II.2.1.2. Harmonization of economic and social statistics: creation of a statistics unit.**

Basically, the justification for this project resides in the fact that in Africa, principal economic aggregates do not have the same content from one country to another; most of the statistics established on Africa are not reliable; the majority of existing economic and social data on Africa are conceived outside of the continent, the data collection systems do not adhere to the same standards.

The utilization of less reliable statistical data to carry out economic analysis could lead to wrong political or strategic recommendations. Similarly, unreliable data do not allow for the building of credible national accounts that can serve as guide to national and foreign economic operators.

This project will be implemented in collaboration with African Statistics Institutes and International institutions such as the Economic Commission for Africa (ECA) and the African Development Bank (ADB) in order to put at Africa's disposal reliable economic and social data that can serve, among other things, for quality scientific research.

Among other things, the statistics unit will allow for:

- The provision of necessary political support (***permanent pleading for the cause***) in development coordination and the use of statistics in Africa;
- Collect political, economic and social data (primary as well as secondary) to be put at the disposal of all the departments, regional bureaux and all Member States'
- From the data collected, make projections on economic and social indicators with the view to proposing policies and strategies to Member States.
- Disseminate all statistics of Member states and regions in order to facilitate comparative analysis on economic and social performances.

Within the framework of harmonizing African statistics, a continental seminar will be organized in the course of 2006 with the main objective of creating a minimum framework for the harmonization of social and macro-economic statistics that would allow one to compare the economic and social results of countries and to monitor the socio-economic development of the continent in a permanent way.

### **II.2.1.3. Conference of African Ministers of Economy and Finance (yearly)**

It would be recalled that the Conference of African Ministers of Economy and Finance (CAMEF) was institutionalized by the Sirte Summit in Libya in July 2005. **(Decision No. Assembly/AU/Dec. 73(V))**. This decision mandates the Commission in collaboration with Regional Economic Communities (RECs), the African Development Bank and development partners to ensure preparations for this conference and report to it during its annual sessions.

The objective of the CAMEF annual conference is to prepare for the holding of the Economic Summit that is deemed crucial for Africa. This summit will offer Heads of State and Government the opportunity to be informed on progress realized on the continent's integration process and make recommendations on the development of African economies.

This year, the CAMEF will take place from 8 to 12 May 2006 and among other things, will get down to the business of:

- Assessing the impact of economic policies adopted;
- Comparing experiences as regards policies and strategies;
- Coming up with the way forward in relation to the contemporary economic stakes involved;
- Assessing the different cooperation links with Africa;
- Adopting a common African position on the issues are the subject of international negotiations.

### **II.2.1.4 Economic Summit of Heads of State and Government**

The summit deserves to be organized **once every two years or, it would be advisable to transform one of the ac-**



**tual summits into a summit dealing exclusively with social and economic issues.**

First of all, it gives Heads of State and Government the opportunity to pay great attention to the Continent's economic issues, which in fact, are marginalized by the present organizational format for summits. Furthermore, it gives Executive Heads of RECs the opportunity to present reports on regional integration that they are charged with, make proposals to Heads of State in order to enable them take important political decisions. Finally, it enables Heads of State to examine reports of the Conference of Ministers of the Economy and Finance and indicate clear directions based on courageous political decisions.

This summit could be considered the African "Davos" except that it will be held alternatively in African capitals or towns.

#### **II.2.1.5. Creation of an African Stock Market**

In the face of the worrying rise in poverty and misery in Africa and the advanced degradation of living conditions and **well-being** of populations, the continent's leaders have since 1991 adopted the Abuja Treaty in which they recognize the need to create in several important stages, the African Economic Community (AEC) to accelerate the continent's economic integration with a view to effectively combating the deep and structural causes of poverty and misery.

This political will to eradicate poverty led the African Union Commission, in accordance with article 19 of its Constitutive Act, to undertake the creation of three financial institutions to support economic growth and development.

Economic analysis indicates the need and the importance for the development of capital markets for economies needs (funding for budget support and manufacturing sector activity). It constitutes the centre of economic activity in the

sense that it provides the economy with the necessary resources for its funding.

Faced with public funding, constraints, the systematic risks inherent in the recourse to budgetary facilities, the crushing debt burden from bilateral and multilateral funding and to market conditions that traditionally compensated for fiscal deficits, African countries have definitively turned to other more appropriate sources of funding such as financial markets.

Furthermore, with the numerous reforms undertaken as part of efforts to lay the foundation for sustainable economies, African states were urged to disengage from manufacturing sectors thus allowing for the budding of the private sector.

This new framework demands an adaptation of the regulatory mechanisms of the economy, particularly the recourse to indirect currency management and savings mobilization tools. Given the banking system's inability to provide long term economic resources, because this might dangerously expose it to exogenous shocks, the financial market revealed itself as an appropriate source of funding. Financial markets enable the increased mobilization of domestic and foreign resources for long term economic resources. They constitute a source of new capital that does not call for the creation of money and therefore funding that is not inflationary in character. They considerably reduce financial intermediary costs because they bring buyers and sellers of capital into direct contact.

Thus, we have witnessed during the past years, a significant emergence of financial markets in Africa, but which unfortunately have recorded more and more mixed results. Apart from the Johannesburg financial market that links all the Southern African markets and which is considered as modern and well quoted in the world and in most financial markets, other African stock markets are confronted with numerous obstacles: limited offer and demand of financial products, low trade volumes, high taxes levied on financial transactions, un-

balanced macroeconomic conditions, galloping inflation, lack of market infrastructure etc.

Consequently, reflections need to be carried out with a view to establishing an efficient and effective single financial market in Africa that would meet the needs of economic agents that need to raise low cost capital. This would encourage the collection of resources from a very liquid banking system (high money supply) in Africa, from financial establishments and economic agents such as households with very high financial capacity.

This financial space will be a platform that will link all the continent's financial spaces in order to obtain a considerable mass of financial transactions, market capital, and more liquidity by reducing transaction costs. It will allow for the raising of funds as well as market capitalization for the funding of integration projects such as those of NEPAD.

The putting in place of such a stock market will require the execution of the following tasks:

- Together with actors of existing financial markets in Africa, study the possibility of creating a continental financial market.
- Identify and analyze macroeconomic challenges and socio-cultural constraints that such a market could be confronted with;
- Measure or estimate possible trade volumes on such markets or stock market capitalization and its impact on national economies;
- Allow economic agents to give their opinion so as to make relevant recommendations for the development of the market with a view to a sustainable economic growth of the continent;

- Make recommendations on fiscal reforms and the type of market infrastructures necessary to render the market modern and more efficient.

#### **II.2.1.6. Creation of a Fund within the African Union to assist poor African oil importing countries**

African countries which are net importers of oil are subjected to the pernicious effects of continuous oil fluctuations. The oil shocks of the 70's have in this regard partially contributed in plunging African economies in a structural crisis that in turn precipitated the advent of Structural Adjustment Programmes (SAPs) under the aegis of the Bretton-Woods Institutions.

The economic effects of oil shocks on importing countries are varied and diverse. Thus in the short-term, a rise in oil prices resulting in low purchasing power for households leads them to reduce their volume of consumption.

Consequently, entrepreneurs are tempted to compensate losses in revenue caused by oil shocks by increasing sale prices of products. The same could be said for salaried employees who due to loss in purchasing power demand salary increments. In the long-term, the rise in oil prices produces a negative impact on the profitability of energy sectors while modifying their productive structures.

Furthermore, the more the dependence on oil (measured by the relative share of oil imports in total imports) is high, the more the repercussions of global cost increase are negative. Thus, in African oil importing countries, any rise in oil prices would imply a significant reduction in growth levels, erosion in the balance of trade balances and a high inflation rate increase. Besides, the rise in nations' oil bills gives rise to sudden economic adjustments that create a sharp fall in domestic consumption. This increase equally encourages rapid fall of local currencies against the dollar, that in turn increase the cost of external debt servicing. For example, according to

the International Energy Agency (IEA), between buying and selling zones, a 10-dollar rise in oil costs translates into a transfer of about 160 billion dollars; that is to say, more than 0.4 point of world GDP. And the more countries are poor and indebted, the more the effect of the rise in oil prices is highly negative. Thus, according to IMF estimates, a sustainable rise of 10 dollars per barrel would on average reduce the growth rate of these countries by more than 1.5 in a year. The cost for sub-Saharan importing countries would be even higher due to the fragility of their economies and their heavy dependence on oil. In their case the IMF estimates losses in GDP terms at 3%. The pernicious effects of oil shocks on the economies of African importing countries therefore constitute a major problem that deserves to be resolved. One of the most appropriate solutions if not the most appropriate resides in the creation of the African Fund within the African Union, to assist poor oil importing countries curb the negative effects of oil shocks.

The principal objective of this fund is to mobilize resources aimed at assisting poor oil importing African countries contain oil shocks and facilitate funding of their oil imports.

## **II.2.2. Economic integration**

### **II.2.2.1. RECs coordination (two meetings per year)**

These meetings shall be preceded by the meetings of RECs and AU Commission experts. The advantage of the experts meeting resides in the fact that not only does it bring out ways and means for the development of relations between RECs and the African Union, but also attempts to remedy the sectoral problems with which they are confronted, particularly in the agriculture, industry and tertiary areas. This meeting of experts should lead to the development of a working document or even a programme of activities that will be submitted to executive secretaries of RECs for consideration, adoption and recommendation during their coordination meeting chaired by the Chairperson of the Commission. While the advan-

tage of meeting of executive heads resides in the fact that it offers RECs hierarchy the opportunity to examine proposals made by experts so as to give them political support and an executory character. Consequently, the interest of such a meeting lies with fully associating the RECs in activities connected to the building of the African Union. Institutions such as the ADB, ECA in addition to all the RECs are invited to participate in the meetings. Similarly, all the departments are associated because of the multi-sectoral nature of these meetings agenda.

#### **II.2.2.2. Rationalization of Regional Economic Communities (REC)**

The Commission has put in place the following mechanism to effectively resolve this important issue:

- A regional consultation bringing together experts from West, Central and Northern regions of Africa. This consultation was held in Accra, Ghana on 27 and 28 October 2005.
- A regional consultation bringing together experts from Eastern and Southern Africa. This consultation will take place in Lusaka on 9 and 10 March 2006.
- A Ministerial Conference bringing together Ministers responsible for integration issues. This conference will be held on 3 and 4 April 2006 in Ouagadougou, Burkina Faso. The conference will be preceded by a meeting of government experts who will examine among other things, reports issued at the end of the two regional consultations, and the reports produced by the consultants on the quantification of rationalization scenarios through cost-benefit technical analysis.

- The report of the conference of ministers responsible for integration issues will be submitted for consideration to the AU organs during the July 2006 summit to be held in The Gambia.

### **II.2.2.3. Development of an action plan to promote micro-financing at the level of the continent**

In Africa as elsewhere, banking networks are traditionally more reticent in funding activities of Small and Medium-size Enterprises (SMEs). Lack of guarantee, lack of transparency and lack of resources: Heads of SME's in search for funding know the refrain. According to UN, 3 billion people are excluded from banking systems and have no means of accessing classic financial services proposed by banks to start business.

It is these shortcomings that micro-financed associations wanted to remedy in the 1970's. Loan small sums of money to people of modest means, who at their level, want to constitute an income generating activity to come out of poverty: such was then the idea behind the project. Not to mention that in addition, this loan of a new kind would enable them to do without unscrupulous usurers acting with impunity everywhere.

Today, international institutions are unanimous in recognizing that micro-finance has a key role in fighting poverty. For Kofi Annan, UN Secretary General, this activity has "revealed itself to be an effective weapon to fight misery and hunger and allows for a real improvement of people's conditions, especially the poorest".

It is in this framework that the Commission would like to undertake, among others, the following activities:

- Studies are underway to understand all the theoretical and practical outlines of the issue (action plan);

- A continental workshop will be organized to validate the results of these studies that will then be submitted for consideration to the decision-making organs of the African Union.

#### **II.2.2.4. The African Private Sector Forum**

Decision No. **EX.CL/Dec. 153(VI)** of the Abuja Summit requests the African Union Commission to organize every year a meeting of the private sector in Africa with the assistance of the African Economic Community, African Chambers of Commerce and Industry and the Labour and Social Affairs Commission.

It has become a reality that the globalization of the economy has become an obligation that Africa cannot escape from. African economies are obliged to make the change to respond to the demands of modern economy. Liberal economic analysis suggests that capital, whatever their nationality and origin produce the same effects on the host economies. As a result, African countries must lift all administrative, tariff or non-tariff barriers to attract private foreign investments (African or not) non-debt generating external funding and which conceal properties likely to increase the added-value of host economies. It is therefore inconceivable that direct investments increase throughout the world and that the African territory is excluded. Indeed, statistics indicate that Africa remains tributary to Public Development Aid (PDA) and that it has little interest for direct investors. What could explain such compartment? Why is Africa less attractive for direct investments? For what reasons does investments flow to Latin America or Asia? The AU could help in correcting this tendency by instituting the African Private Sector Forum. This forum has the advantage of unveiling potentials of African countries in the area of investments. On this occasion, participants would come from partner organizations such as the European Union, the Arab League, the Association of South-East Asian Nations (ASEAN), the North American Free-Trade Treaty (NAFTA),



MERCOSUR etc. to rid off the apocalyptic images that they have of Africa and instead learn to consider it as a continent with potential and future where all sorts of investments can yield profits in conducive atmosphere.

#### **II.2.2.5. Training programme on economic integration in Africa**

This training programme basically aims to improve the absorption capacity of the AU General Secretariat and those of the Regional Economic Communities (REC) in the implementation of the Treaty instituting the African Economic Community.

Consequently, this programme is intended for officials of member states in charge of integration issues to assist them to better understand the problem of integration in order to rise to the expectations of their respective administrations. This focuses on the following modules:

- Module 1:** Concept, theory and pan-African integration: Aspects.
- Module 2:** Regionalization and global economy: Africa in global economy.
- Module 3:** Experience in the area of economic integration in Africa
- Module 4:** Problems of regionalism in Africa and the links between these problems
- Module 5:** Monetary cooperation and economic integration in Africa
- Module 6:** Case studies of economic integration programmes in Africa
- Module 7:** Toward an African Economic Community/ African Union
- Module 8:** Industrial policies and strategies in a regional integration context
- Module 9:** Capacity building with the view to economic integration in Africa

**Module 10:** Multinational regional integration programmes

**Module 11:** Legal outlines of the integration process: specific cases of the ECOWAS, SADC and COMESA

However, it must be underlined that these modules shall be regularly amended in accordance with the priorities of beneficiary institutions.

#### **II.2.2.6. The AU and international cooperation**

It is extremely important to establish and consolidate the relations between:

- AU and the European Union. In this regard, the Africa-Europe Summit is a framework that should be prioritized and strengthened.
- AU and the Organization of Asian States;
- AU and the Organization of Latin American States
- AU and the Organization of Arab States (a cooperation that already exist but which we would like to further strengthen).

Furthermore, it would be desirable that the AU undertakes relations at the micro level with **research institutes** of international repute or with **Finance Foundations** (for instance the Ford Foundation). These different organs would use the AU as a bridge to reach **African decision makers**. In return, the AU could benefit from diverse support of macro or micro projects that it would initiate in the member states through regional economic communities.

### **II.2.2.7. Specific relations with the European Union**

Here, the beauty consists in carrying out a proximity analysis of the different accords contained in the ACP-EU relations. It would then be possible to underscore African and European positions on the accords taken individually and on some current issues, particularly the debt problem; Africa's position in WTO, international development funding, agricultural subsidies in Europe and the United States, poverty eradication...

Workshops based on appropriate studies deserve to be organized to contribute in throwing light on all these problems and to edify the African position on each of them. Thereon, it is important and desirable to organize workshops on the following general themes:

- The Cotonou Accords: What advantages for Africa?
- What Africa must do to benefit from the WTO?
- How agriculture subsidies in the West negatively affect African farmers?
- Are solutions proposed by international institutions to reduce poverty in Africa effective or not?

### **II.2.2.8 Review of the phases provided for by the Abuja Treaty**

The genesis of this project is linked to the Sirte Declaration. Indeed, the Heads of State and Government of the Organization of African Unity (OAU), meeting in the Fourth Extraordinary Session of their Conference in Sirte, Libya, on 8 and 9 September 1999, debated the ways and means for strengthening the continental organization so as to make it more effective and enable it adapt to social, political and economic changes of our times. At the end of their deliberations, they had taken several decisions among which feature those calling for an acceleration of the implementation process of

the Treaty instituting the African Economic Community, in particular:

- To shorten the timetable of the Abuja Treaty;
- Accelerate the creation of all the institutions provided for in the Abuja Treaty, such as the African Central Bank, African Monetary Union, the Africa Court of Justice and the African Parliament;
- Strengthen and consolidate the RECs that constitute the pillars for the realization of the envisaged objectives of the African Economic Community and the African Union.

It is therefore to implement such a decision that the project related to the revision of the Abuja Treaty was initiated. This project aims principally to:

- Evaluate progress realized by all of the RECs in the area of regional integration;
- Identify progress accomplished, difficulties encountered, as well as future prospects;
- Make economic policy recommendations that would allow for the acceleration of the integration process.

Studies will be undertaken shortly to respond to these preoccupations.

### **II.2.3. Shared vision**

#### **II.2.3.1. Meeting of African economists and experts**

Presently, the building of the African Economic Community constitutes one of the major preoccupations of the African Union (AU). To succeed in this noble and historical work, the authorities of the AU Commission have started work on several initiatives among which feature: **the rationalization and**

**consolidation of Regional Economic Communities (REC), the acceleration of the establishment of institutions provided for in the Abuja Treaty and those provided for by the Constitutive Act.**

In this respect, the African Union Commission entrusted specific mandates to departments, divisions and regional offices that compose its secretariat in order to enable it acquire the dynamism and effectiveness indispensable to the building of the African Union. It is in this manner that in order to contribute to the accomplishment of this gigantic work, the Department of Economic Affairs proposes to organize (by institutionalizing it in time) a meeting of African economists and experts within the RECs, so as to examine, analyse and propose an appropriate remedy to the economic problems that compromise the development of these RECs toward a real integration of African economies. The purpose of this meeting will be to:

- Make a sectoral diagnosis of economic and social activities of RECs;
- Highlight the contribution of main activity sectors in the economic development of each country, and make a report of these contribution in terms of results, difficulties and future prospects;
- Make a comparative analysis of previous indicators between countries of each REC;
- Bring out the most competent sectors in each country in the RECs;
- Make an inventory of community projects in the area of basic infrastructures and other things in each REC and come out with a new course so that these projects become effective;

- Produce report on economic policies (monetary and budgetary) practised in each REC;
- Bring out the advantages and the disadvantages of using a single currency inside each REC;
- Indicate the advantages and disadvantages of practising integral free-trade inside each zone and an identical taxation policy between each REC and the rest of the world;
- Bring out the effects of the adoption of an identical industrial policy within each REC;
- Show the theoretical and practical outlines of the agricultural policy applicable in each REC in accordance with natural potentials that each country benefits from.

This meeting could be articulated around the following themes (they will be varied in accordance with needs):

- The role of agriculture in social and economic development of RECs;
- Trade and industry in the RECs: report and prospects
- Money and finance in the RECs: what is the most effective policy?
- Basic community infrastructure in the RECs and the issue of funding

### **II.2.3.2. Africa's Economic Integration Review**

Africa's Economic Integration Review is intended to be an international pluri-disciplinary platform with a focus on the issue of Africa's economic integration. It will be open to all theoretical and strategic orientations and will publish research focussing on regions and African countries.

Africa's Economic Integration Review will give particular attention to the theory and practice of the economic integration problem. Its area of interest will include: **aid and trade, regional disparities and agricultural reforms, development administration, education planning and the development of human resources, industrialization and transfer of technology, environmental problems, human rights and democratization, urbanization, women and development.**

Africa's Economic Integration Review will accept theoretical articles especially if they present an innovative inter-disciplinary analysis. However, it will give priority to articles resulting from empirical research and case studies having repercussions on the integration experiences throughout the world and on planning and development policies. The Review will also accept short articles presenting a personal experience or reflection on one or several aspects of practices or current international development policies. The articles constituting an exchange of views on a subject treated in a previous issue of the African Economic Integration Review will be equally considered.

Africa's Economic Integration Review will also present critical analysis and reports of recent books dealing with economic integration.

Africa's Economic Integration Review will be a bilingual publication (French and English) that is published twice a year in April and October.

### **II.2.3.3. "Friday Discussions"**

Among the attributes of the African Union Commission, its role is to meet the major challenges of the current millennium. Among these feature especially economic and social integration, poverty and misery eradication, food security, the fight against HIV/AIDS and other pandemics, intra and inter-states conflicts, political and economic governance, terror-

ism, religious and tribal conflicts... All these problems (and they are not exhaustive) imply varied policies and concepts whose comprehension is important for all those whose actions contribute in bringing appropriate solutions. To this end, the Department of Economic Affairs proposes to institutionalize **"Friday Discussions"** that in fact will constitute a forum of **"conference-debates"** on current economic, political and social themes. This forum will offer the staff of the Commission, African diplomats grouped within the Permanent Representatives Committee, staff of United Nations institutions in Addis Ababa, a real opportunity to meet and share information on the problems already mentioned.

## **OBJECTIVES**

This forum for **"give and take"**, conceived to respond to the needs of the Commission, Member States, African and non African diplomats on posting in Addis Ababa, as regards the understanding of economic, political and social problems of our times, aims at the following main objectives:

- Assist in the comprehension of great contemporary political, economic and social problems;
- Contribute in mastering the operations of institutions that lead the world today;
- Contribute in throwing light on economic policies and strategies proposed to African countries by international financial institutions;
- Identify major obstacles to integration in Africa and propose ways and means of going around them;
- Promote the comprehension of the globalization process and its consequences on African economies



## **TARGET GROUPS**

This series of conference-debates is intended for:

- members of staff of the Commission,
- African and non-African diplomats on posting in Addis Ababa,
- Staff of United Nations institutions in Addis Ababa,
- Students from universities and institutes of higher learning in Addis Ababa.

## **PRACTICAL ORGANIZATION**

The forum will be held once a month (on the last Friday of the month) in the form of conference-debates on a current theme. This theme will be carefully chosen with the speaker. All speakers are invited to submit written presentations to the Department of Economic Affairs one week earlier to allow for translation into English or French, a wide distribution after the conference and possibly publication in the Bulletin of the African Union.

During the conference, the speaker will be assisted by two moderators. The latter will in turn make a summary on the day's theme following the main speaker's presentation. After which, the floor will be open for discussions. There will be interpretation into French and English during the conference-debates in order to allow for a wider participation.

### ***Choice of themes***

The choice of themes falls within the purview of the Commission. However, the designated speaker has some latitude to amend in accordance with his competence and interest in the development of the theme selected.

## ***Conference and moderators***

They could be:

- Members of staff of the Commission,
- African and non-African diplomats on posting in Addis Ababa,
- Staff of United Nations institutions in Addis Ababa,
- Professors from African universities
- Heads of African administrations
- Representatives from the African private sector
- Members of the civil society
- Representatives of the African Diaspora

### **II.2.3.4. Assessment of international initiatives for Africa**

Several global and international conferences are being held with the view to putting an end to the structural underdevelopment that characterizes Africa. For instance, the United Nations Conference that set the Millennium Development Goals, the Monterrey Conference on International Development Finance, the Tokyo International Conference for the development of Africa, the Africa-Europe Dialogue, the China-Africa Forum...In most cases Africa is only half-heartedly associated to these conferences further down the line; this gives rise to the feeling that the great conclusions coming out of these meetings seem like recipes conceived from the outside and imposed on Africa. Consequently, it is important to note that the solutions proposed by these conferences are a far cry from African realities both in their conception and in the policies that underpin their implementation. Furthermore, the commitments consensually taken by the international community, particularly by the developed countries are not easily translated into acts. The gap between financial

commitments and effective disbursements is widening increasingly. Finally, we note a lack of follow-up and evaluation of these major conferences. The purpose of this project is to undertake studies on the implementation of these major conferences in order to ascertain identify their impact on Africa's development.

Such a project allows for meticulous evaluation of the ins and outs of all of these initiatives and indicates how they could be beneficial to the African continent. Furthermore, this project, founded on important studies, offers the opportunity to better evaluate the impact of economic policies dictated by the Bretton-Woods international financial institutions. From then on, the following activities will be undertaken regularly:

- Evaluation of MDGs in collaboration with development partners
- Follow-up of the Africa-Europe Dialogue
- Implementation of the G8 report
- Follow-up of TICAD
- Follow-up of the China-Africa Forum
- Evaluation of the impact of policies recommended by the Bretton-Woods Institutions on African economies.

#### **II.2.3.5 Creation of a Forum for economic research institutions in Africa**

This initiative aims to:

- Create a forum for African economic research institutions in order to establish the link between researchers of the continent with the view to promoting a better knowledge of research activities, research results and the resultant policies;

- Create a forum that would bring together researchers and decision makers to exchange views on ways to translate research results into concrete policies and practical programmes.

To achieve these goals, the following activities will be carried out:

- Establish a list of all research institutes in Africa at regional, sub-regional and continental levels to obtain adequate information on the institutional capacities of these research institutes in Africa;
- Collect detailed information on research centres and research activities and programmes in Africa;
- Regular organizations of meetings intended for African economic research institutions in order to:
  - institute an indicative framework of priorities in the area of research at the level of the continent;
  - Facilitate dissemination of information and contacts between institutions and research centres in Africa with the view to promoting exchanges between them;
  - Facilitate contacts between researchers and decision makers;
  - Communicate results of research work to research institutions, sub-regional and regional organizations and to African decision makers;
  - Initiate and coordinate resource mobilization for socio-economic research in Africa;
  - Collaborate with other competent institutions in the production of a pan-African economic journal having an interest for development in Africa, in particular issues relating to economic integration

and implementation of the Abuja Treaty and the Constitutive Act.

### **III. MAJOR ECONOMIC CHALLENGES FOR CONTEMPORARY AFRICA**

These challenges are of a diverse and varied nature. In a general manner, they are essentially articulated around the following issues. They are not exhaustive. They are regularly reviewed for possible adjustments. These are:

- development financing;
- external debt;
- industrialization;
- endogenization of growth and development;
- development of physical capital or even infrastructure;
- economic integration;
- quest for competitiveness;
- political stability;
- examine all the major economic issues such as: development financing, external debt, industrialization, the issue of competitiveness, economic liberalization, endogenous and exogenous shocks, inflation, variations in exchange rates, the fall in terms of trade;
- good economic governance;
- establishment of mechanisms that aim at curbing endogenous and exogenous shocks;
- increasing agricultural productivity to eradicate famine;
- promoting the private sector and

- consolidation of the public/private partnership
- economic governance

### **III.1. Development Financing**

It is an open secret that Africa has a huge need for financial resources. Its deficit has even reached levels difficult to contain. At the domestic level, efforts undertaken at the level of micro-states have until now not been crowned with success. The accumulation of domestic capital is similar to attempting the impossible. Banking and non-banking financial intermediaries have been unable to fully play their role that naturally was allotted to them in the mobilization of domestic savings and in the distribution of credit to different economic agents in financial need. At the foreign level, one is obliged to recognize that the international community through several resource mobilization channels attempted to contribute its financial support to the African continent. These channels multiplied both at the bilateral and multilateral levels without succeeding in bringing the appropriate solution to the immensity of the continent's funding needs. The aid effort through the granting of 0.7 of rich countries' GDP (instituted since 1970); financial commitments of the G8 countries intended for African countries within the framework of numerous initiatives constitute edifying examples.

#### ***Suggested solutions***

Africa must accept its responsibilities as regards development finance through what follows:

- Expedite the creation of financial institutions provided for in Article 19 of the Constitutive Act to sustain growth and development;
- Restructure and consolidate the African banking system;

- Totally reform African economies in order to place them on the path of sustainable growth and development;
- Initiate new endogenous means of funding and effectively make use of them. Among these means, we propose: **a tax on air tickets of big airline companies with services to Africa; a tax on hydrocarbon exports** (that we would willingly call solidarity tax)
- Adopt all appropriate measures to eradicate corruption in all its forms;
- Ensure a better distribution of wealth acquired from growth to increase the purchasing power of populations; this will de facto enable them to constitute significant savings that the banking structure could capture.

### **III.2. External Debt**

Africa's external debt is not the most voluminous compared to that of other developing worlds, but it seems to be the heaviest when related to economic aggregates like GNP and exports. The constant rise in Africa's external debt is the logical consequence of almost permanent recourse to external assistance to contribute in compensating the deficit in resources that characterizes the continent.

Since the 80's, the international community experimented with several initiatives to help Africa out of chronic and endemic over-indebtedness. The most perceptible ones seem to be: the Structural Adjustment Programmes (SAPs), the Baker and Brady Plans, the HIPC Initiative and the recent decision of the G8 (adopted by the Bretton-Woods institutions) to cancel the debt of 18 developing countries of which 14 are from Africa.

In spite of numerous initiatives (the list is not exhaustive), Africa continues to bend under the weight of “bad debt” that is increasingly similar to a millstone around its neck. And for very good reason! All the solutions proposed to Africa and adopted by it have only produced very limited effects.

### ***Suggested solutions***

In the hypothesis of implementation of the previously mentioned solutions in the framework development finance, we suggest the following:

- Endogenize all finance levers of African economies
- Defend the cause for the continent’s debt cancellation by basing arguments on some historical facts (like slavery and colonization) or some political facts (like debt contracted for dictatorial regimes);
- Reform the economies to attract direct investments considered as non-debt generating funding.

### **III.3. Industrialization of The Continent**

It is evident that the African continent is the most under-industrialized of the planet. And for good reason! The industrial landscape of the countries remains poor or at best embryonic. Yet, of all the activities, industry remains that which the level of growth of added value presents the strongest correlation with the whole of the economy;-it is in the industry sector that one observes how the variation productivity is a positive function of the variation rate of production (especially with regard to equipment goods); industry is the activity that “Pulls” the rest of the system as a whole by the scope of its inputs, the size of its sales, the level of its salaries as well as through its influence on all of society’s organization.



## ***Suggested solutions***

In the light of the catalysing role of the industry in the development process, we propose to undertake actions focused on the following elements:

- Do everything possible or even take all possible risk to industrialize Africa. Industrialization is badly needed activity. On the contrary, it constitutes a prerequisite for any country or group of countries aspiring to rise to the level of developed countries. Africa must divorce itself from the slogan “continent with an agricultural calling” to embark resolutely on an industrial adventure that in our eyes constitutes the mainstay for its economic and social development.
- Develop agro-food economies in all its dimensions namely, agricultural production, transformation, commercialization, and restoration;
- Restructure the industrial market in Africa. In other words, it is crucial to review Africa’s industrial organization to build it into an indisputable market where healthy competition prevails or even healthy competition between actors.
- Form “intelligent contracts” with multinational firms with a view to an effective transfer of technology or industrial or management “know-how”.
- Apply at the level of some industrial branches, the virtues of “nascent industries”; which is likely to assist African economic operators operating in these sectors to acquire the maturity needed to confront on equal terms and without complex their foreign competitors.

### **III.4. Endogenization of The Growth And Development Dynamics**

As has been said, African economies are extrovert economies. In other words, they are organized, structured and financed from the outside for the outside. All the command levers of these economies are manipulated by foreign interests. The immediate consequences of such a situation can be summarized in the advent of economies that have been bled white and emptied of all substance through a system of linked vases for the benefit of economies of the North.

#### ***Suggested solutions***

We recommend the following:

- Introversion of African economies by restoring the Lagos Plan of Action that comprises all the ingredients likely to entrust the continent's economic destiny to Africans.
- Put in place policies and strategies that would enable Africa own the levers for its economic development. Here, external contribution must only constitute extra financial support and not a substitute for domestic efforts.

### **III.5. Development of Physical Capital**

Lack of basic infrastructure constitutes one of the characteristics of the African continent. Yet, the development of these infrastructures has the potential, among other things, to mobilize Foreign Direct Investments presently lacking on the continent.

#### ***Suggested solutions***

- Translate into action the infrastructures programme contained in NEPAD;

- At the level of micro-states, conduct massive public investments to develop basic infrastructure that from an economic perspective, come under natural monopoly, whose funding is of no interest to the private sector. In this activity sector the role of the State or even public authorities is fundamental as demonstrated by the history of economic facts;
- African leaders must accept responsibility in the face of history by helping the AU Commission implement all the programmes contained in its strategic plan;
- Mobilize local resources to translate NEPAD into reality. Relying on external assistance to do so will undoubtedly lead this historic project to an impasse.

### **III.6. Economic Integration**

It can never be repeated enough that Africa's economic integration does not have credible alternatives that would enable the continent align with the globalized economy. It is therefore indispensable to ease all the constraints relating to international economic relations. **"Succeed in economic integration or disappear"**, one is inclined to say to Africa. The economic integration itinerary is full of pitfalls. And for good reason! Since the 60's several initiatives were experimented. But up till today, the continent's progress to economic integration could be compared to "Argentinean tango".

#### ***Suggested solutions***

- At all costs, rationalize the RECs. Here, the objective is to put an end to double or triple membership of States to RECs, which naturally would be detrimental to the integration process.
- Retain 2 or 3 configuration scenarios and quantify them in order to determine the costs and the advanta-

ges on national budgets. In other words, this quantification will enable one to know in terms of gains and losses, membership to only one REC. Such an approach would enable Heads of State and Government take appropriate political decisions

### **III.7. Permanent Quest For Competitiveness**

Economic globalization is essentially characterized by the domination of market economies which in turn are symbolized by a fierce competition between actors, and by a permanent quest for performance for an increase in market shares and for the conquest of new markets. Yet, it is common knowledge that African economies are far from being competitive, which hampers them in their integration in the global economy and as a matter of course prevents them from making significantly positive results that would enable them provide "welfare" to the continent's populations.

#### ***Suggested solutions***

- Restructure African productive sectors in order to encourage the realization of economies of scale;
- Combat corruption in all its forms;
- Review Africa's industrial organization in order to eliminate any monopolistic thoughts that tend to create distortions in the structure of production costs;
- Develop structures that would give incentives for production at the level of all production units;
- Significantly improve remuneration of all those who participate in production and well as their working conditions.

### **III.8. Resisting Endogenous and Exogenous Shocks**

Let us for a while ignore endogenous shocks to focus on exogenous ones, particularly oil and other shocks brought about by the drastic fall in global demand of commodities, the fall in trade terms, or the glaring depreciation of standard currencies such as the dollar in which international trade is conducted. Africa owes it to itself to put in place efficient and effective measures that would allow it to curb these types of shocks by eliminating their effects on its economies or by reducing them as much as possible.

#### ***Suggested solutions***

- Establish an African Fund to support net oil importers. Here, the Libyan proposal should be welcomed and deserves to be supported by all African countries for its implementation;
- African oil exporters in a drive to show solidarity must supply oil to African oil importers at a price lower than the market price,
- Diversify sources of supply,
- Support research for the development of alternative energy;
- Rationalize consumer behaviour (and not rationing);
- Carry out an optimal management of African oil reserves and oil wells.

### **III.9. Promoting The Private Sector and Consolidating Public/Private Partnership**

The main approach of economies, that is, market economies, is to give priority in resource allocation to the private sector. In Africa, aside from some countries the private sector remains either quasi-inexistent or at the embryonic stage. In

the majority of cases, African economic operators do not like taking risks. This leads them to restrict their activities within the confines of secondary and tertiary sectors. Foreign private sector businesses that establish in African countries are unable to compensate for the shortcomings of the local private sector due to numerous reasons, among which feature administrative dysfunctions and preferential treatment and discriminatory treatments. Furthermore, in most African countries, the State remains owner of most economic activities. The public/private sector partnership is in a bad shape, which contributes to rendering the African private sector apathetic.

### ***Suggested solutions***

- Clearly define the role of the state and of the private sector by creating a productive partnership between these two economic agents;
- Assist in the development of African multinationals;
- Create joint ventures between African economic operators, then between them and those of the North and Asia;
- Encourage the development of best practices and facilitate distribution.

### **III.10. Economic Governance**

It is a truism to say that economic governance and political governance are linked. But for the benefit of our analysis, we will dwell on economic governance. Consequently, it is not important to revisit the definition of economic governance since it is abundantly described and recognized through the development of economic analysis. Economic governance can be explained by several factors among which feature prominently corruption. If corruption is spreading through African economies, this is due to the supply and demand of the phenomenon. In other words, if there are offers of corruption

there is equally the demand for corruption. To combat the phenomenon, it is extremely urgent to act simultaneously on the supply and the demand.

### ***Suggested solutions***

- Put in place policies likely to identify all mechanisms of offer and demand for corruption;
- Eliminate any possibility that might create unearned income situations;
- Turn public contracts into perfect competition markets;
- Develop an economic good governance code of conduct and have it implemented in all the sectors and in all branches of economic activity;
- Take inspiration from best practices of economic good governance;
- Significantly improve incentives for production in order to nip in the bud any possibility for corruption.
- Generalize the basis of economic rationality in all social strata;
- Guarantee the rational management or even optimal management of public resources;
- Adopt and implement the NEPAD African Peer Review Mechanism (APRM)

### **III.11. Political Stability**

Whatever the quality and the relevance of the programmes, whatever the ingenuity of men charged with implementing them, no positive result will be achieved if the given country does not have sustainable political stability. Because political stability, as people say in economic or financial ope-

rators circles represents the most determining explicative factor of foreign direct investments. It seems to be more important than factors like basic infrastructure development, endowment in strategic raw materials; the availability of-quality human capital; etc. The strong co-relation existing between political stability and development leads one to consider the latter as an important economic variable. The examples of this strong link between the two factors are legion throughout the world and particularly in Africa. Therefore, to win the battle against poverty and misery, Africa must do everything possible to irreversibly come under the logic of sustainable peace. How can we achieve that?

### ***Suggested solutions***

- Eliminate any thought of tribalism and ethnocentrism;
- Fight religious extremism in all its forms;
- Respect minorities;
- Accept power sharing;
- Adopt and generalize the virtues of democracy;
- Equitable distribution of wealth or national resources;
- Eliminate all practices founded on unearned income;
- Teach and popularize the virtues of meritocracy;
- Do everything to avoid all behaviour likely to generate painful democratic changes;
- Adopt job creating economic policies.



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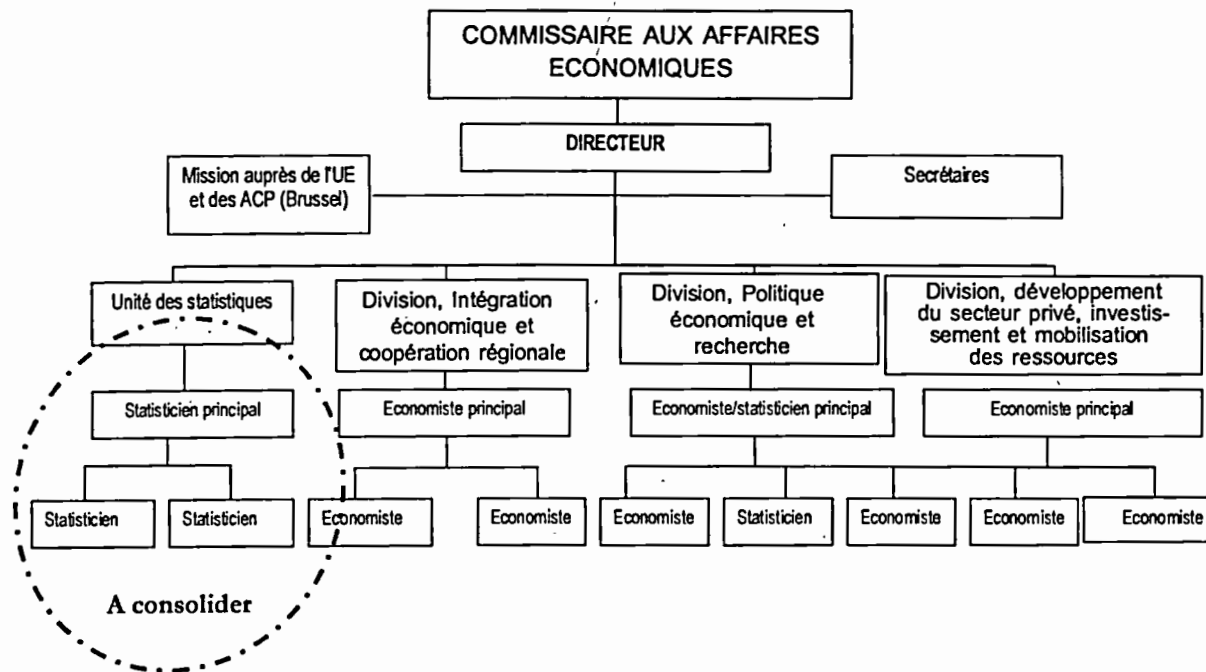
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# Catalogue of Programme of Activites 2006-2008 Mandate Main Objectives and Functions Priorty Proogrammes Major Economic Challengs for Contemporary Africa

Organization of African Unity

African Union

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