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UNION AFRICAINE

UNIÃO AFRICANA

Addis Ababa, ETHIOPIA

P. O. Box 3243

Telephone: 517 700

Fax: 5130 36

website: [www. www.au.int](http://www.au.int)

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**REPORT OF THE SEVENTH JOINT ANNUAL MEETINGS OF AU
CONFERENCE OF MINISTERS OF ECONOMY AND FINANCE
AND ECA CONFERENCE OF AFRICAN MINISTERS
OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT,
ABUJA, NIGERIA, 27 – 30 MARCH 2014**

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Introduction

1. The Seventh Joint Annual Meetings of the African Union (AU) Conference of Ministers of Economy and Finance and the United Nations Economic Commission for Africa (ECA) Conference of African Ministers of Finance, Planning and Economic Development was held in Abuja, Nigeria, from 29 to 30 March 2014. The theme of the Conference was *Industrialization for inclusive and transformative development in Africa*. The Conference also discussed specific issues, among which were the outcome of the “Extra-ordinary Meeting of Experts’ of the Conference of Ministers of Economy and Finance” and the “Proposed mechanism on Alternative sources of Financing for the African Union”.

2. This report provides, in Section A, the attendance list while Section B presents the outcome of the consultations on the election of the Bureau of the Conference. The agenda and programme of work, as adopted, are presented in Section C. The deliberations on the theme of the Conference are summarized in Section D which concludes with the outcome of the discussions on the report and major recommendations of the meeting of the Committee of Experts that preceded the ministerial segment, as well as the Ministerial Statement and resolutions. Discussions on the Alternative Sources of Financing for the African union are presented in Section E.

A. Attendance

3. The meeting was attended by representatives of the following member States: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Chad, Comoros, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, South Sudan, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia and Zimbabwe.

4. The following regional economic communities were represented: Economic Community of Central African States (ECCAS); East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), Inter-Governmental Authority on Development (IGAD), Southern African Development Community (SADC), and Arab Maghreb Union (UMA).

5. The following United Nations bodies and specialized agencies were represented: Food and Agriculture Organization; International Labour Organization; International Fund for Agricultural Development (IFAD); International Maritime Organization; Joint United Nations Programme on HIV/AIDS; Office of the Special Adviser on Africa;

Regional Commissions New York Office; United Nations Development Programme; United Nations Environment Programme; United Nations Educational, Scientific and Cultural Organization; United Nations Human Settlements Programme; Economic and Social Commission for Western Asia; Economic Commission for Latin America and the Caribbean; United Nations Office for Project Services; United Nations Population Fund; Office of the United Nations High Commissioner for Refugees; United Nations Children's Fund; United Nations Conference on Trade and Development; United Nations Industrial Development Organization; United Nations Office to the African Union; United Nations Office on Drugs and Crime; Office of the United Nations High Commissioner for Human Rights; United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women); World Food Programme; World Health Organization; World Intellectual Property Organization; and World Meteorological Organization.

6. The following Member States of the United Nations were represented: Australia, France, Switzerland and United States of America.

7. Also present were the African Development Bank; New Partnership for Africa's Development; Arab Bank for Economic Development in Africa; International Monetary Fund; Central Bank for West African States (BCEAO); Central Bank of Nigeria (CBN), Central Bank of the Republic of Guinea (BCRG); World Bank; and West African Economic and Monetary Union (UEMOA).

8. Observers were present from the following organizations: African Capacity Building Foundation; African Centre for Meteorological Application for Development; Africa Health, Human and Social Development (Afri-Dev); Action Aid International; GAVI Alliance; Pan African Postal Union; League of Arab States; African Monitor; African Population and Health Research; African Risk Capacity; African Forum and Network on Debt and Development (AFRODAD); East African Tax and Governance Network; African Agricultural Development; Namibia Statistics Agency; Organisation Internationale de la Francophonie (OIF); OXFAM International; Pharmaceutical Manufacturers Group; Save the Children International; Stellenbosch University; Department for International Development (DFID); Zenith Bank; Pan-African Chamber of Commerce and Industry; and Africa Business Round Table.

B. Election of the Bureau

9. The Bureau of the Conference was agreed as follows:

| | |
|--------------------------|-----------------------------|
| Chairperson: | Nigeria |
| First Vice-Chairperson: | Mauritania |
| Second Vice-Chairperson: | Malawi |
| Third Vice-Chairperson: | Equatorial Guinea |
| Rapporteur: | United Republic of Tanzania |

C. Adoption of the agenda and programme of work

10. The Conference adopted the following agenda:

- 1) Opening of the Conference;
- 2) Election of the Bureau and adoption of the agenda and programme of work;
- 3) High-level panel session 1: Ministerial policy dialogue on the theme of the Conference, “Industrialization for inclusive and transformative development in Africa”;
- 4) High-level panel session 2: Innovation and technology transfer for enhanced productivity and competitiveness;
- 5) Special session: Proposed mechanism on alternative sources of financing of the African Union;
- 6) High-level panel session 3: Capacity and institutions for industrial development: the role of the public and private sectors;
- 7) High-level panel session 4: Industrialization for inclusive growth and job creation;
- 8) Progress report of the High-Level Panel on Illicit Financial Flows;
- 9) Briefing on Africa risk capacity;
- 10) Launch of the *Economic Report on Africa 2014*;
- 11) Presentation of Caucus Communiqué Caucus of the Governors of African Central Banks;
- 12) Consideration of the report and major recommendations of the meeting of the Committee of Experts;
- 13) Consideration and adoption of the draft Ministerial Statement and draft resolutions;
- 14) Any other business;
- 15) Closing of the Conference.

D. Account of proceedings

Opening of the Conference

11. The Conference was opened by H.E. Mr. Goodluck Ebele Jonathan, President of the Federal Republic of Nigeria, who delivered the keynote address on the theme of the Conference. Opening statements were read by H.E. Mr. Albert Mabri Toikeusse, Chairperson of the outgoing Bureau of the Conference and Minister of Planning and Development, Côte d’Ivoire; Pierre Moscovici, Minister of Economy and Finance, France, H.E. Dr. Carlos Lopes, United Nations Under-Secretary-General and Executive Secretary of the Economic Commission for Africa and H.E. Dr. Nkosazana Dlamini Zuma, Chairperson of the African Union Commission (AUC). H.E. Dr. Ellen Johnson Sirleaf, President of the Republic of Liberia, also presented “the Common African Position on the post-2015 development agenda”

12. In his Key note address, H. E. Mr Goodluck Ebele Jonathan, President of the Federal Republic of Nigeria, warmly welcomed participants. He said that the theme of the Conference ‘**Industrialization for Inclusive and Transformative Development in Africa**’ was of special relevance to Africa. In Nigeria particularly, it corresponded with the **Transformation Agenda**, an on-going programme of national renewal. He stated that the structural transformation of African economies must continue to be a core

priority. To close the poverty gap, industrialisation must be key to transformation. He noted that Africa's economies had come a long way since the difficult and challenging 1980s and 1990s. Within that period, most of the economies were saddled with high foreign debts, and burdened by inflation. The overall GDP growth of African economies was low, at about 2% per annum.

13. He noted that the continent had turned the corner. Indeed, Africa's economies have grown at an average rate of about 5% per annum, in the past decade, and this was almost double the growth rate for the global economy. Encouragingly, also, the continent was the second fastest growing region in the world after South East Asia.

14. He said that as the theme of this conference emphasizes, there was need to focus on industrialization as the backbone of our structural transformation. The impact of the industrial sectors to the economic growth and development of Korea, Taiwan, Malaysia, and Brazil, were underscored as still relevant, in that context.

15. He underlined that Africa's industrialisation plans would not take off until the infrastructure was fixed. He noted that the entire African continent currently produces only 2% of global electricity output. For transport infrastructure, the road linkages between African cities are not always in the best condition; and the transport links between countries also need to be greatly improved.

16. He concluded by emphasizing that Africa's industrialization must remain in our focus in the coming years. He shared his confidence that we will succeed, if leaders in government, and in the private sector, work in concert towards this common goal.

17. On her part, the Chairperson of the African Union Commission, Dr. Nkosazana Dlamini Zuma, warmly welcomed participants and extended her sincere gratitude to the Government and the people of the Federal Republic of Nigeria for the hospitality accorded all delegations since their arrival in Abuja. She mentioned that the theme of the conference would address three issues critical to Africa's future: namely Industrialisation, Domestic Resource Mobilisation and African Financial and Monetary Institutions for integration.

18. She recalled that fourteen years ago, during the debates that led to the Millennium Declaration and Development Goals, the continent was regarded as the "21st Century's Development Challenge" and a scar on the conscience of humanity. Fourteen years later, Africa is the world's second fastest growing region, and home to six of the world's fastest growing economies. Thus, Africa has transitioned from being the 21st Century's development challenge, to being the 21st Century's development opportunity.

19. She also recalled that a year ago, the Conference held in Abidjan resolved that the need for industrialization is common sense and that Africa must "design a comprehensive industrial development framework that is inclusive and transformative to speed up and deepen value-addition of local production, linkages between the commodity sector and other economic sectors." She said that discussions during the

conference must take this common sense further, and assess the consolidation of nascent industrialisation initiatives and sectors. She urged the Conference that in doing so, they must look at the agro-processing sectors in all countries for cocoa, coffee and other agricultural products in Côte d'Ivoire, Ghana and Ethiopia; at the ICT sectors in Rwanda and Kenya; at the textile and fashion industries in West, Central and Southern Africa; tourism and the blue economies of Seychelles and Senegal, of Mauritius and Madagascar; the fishing industry in the Gulf of Guinea; at the work done by institutions such as the Central African Forestry Commission (COMIFAC) on forest policy.

20. She said that this assessment, should also check best practices in terms of industrial and trade policy instruments - such as the local content requirement that Ghana introduced in its oil and gas industries; the monetary policy requirements for industrialization and growth discussed by the African Central bankers; the activities of our various national export and investment promotion councils; the implementation of the African Mining Vision, and the impact of our trade partnerships on industrialisation and intra-Africa trade.

21. The Chairperson concluded her remarks by acknowledging the role played by the Co-ordinating Minister of the Economy and the Minister of Finance of the Federal Republic of Nigeria Dr. Ngozi Okonjo-Iweala and by the outgoing Chairperson, the Minister of Economy and Finance of Côte d'Ivoire, Mr. Albert Mabri Toikeusse. She also thanked Experts and Officials, who diligently prepared for the Conference and acknowledged the CEO of the NEPAD Agency, Dr. Mayaki and wished the Conference successful deliberations.

Discussions on the Theme of the Conference

22. The Conference discussed the theme around a Ministerial Policy dialogue on the theme and three plenary sessions: (a) "Innovation and technology transfer for Enhanced Productivity and competitiveness"; (b) "Capacity and institutions for industrial development: the role of the public and private sectors"; and (c) "Industrialization for inclusive growth and job creation".

a) Ministerial policy dialogue on the theme of the Conference, "Industrialization for inclusive and transformative development in Africa"

23. The Ministerial policy dialogue on the theme of the Conference was moderated by Mr Omar Ben Yedder, Group Publisher and Managing Director of IC Publications.

24. Mr. Carlos Lopes, United Nations Under-Secretary General and Executive Secretary, ECA, recalled that the efforts of the 1970's in light of industrialization were not bad but not sustainable as was seen in the oil shocks and static attitude towards production. He added that what was different in the quest for industrialization in Africa today was the increase of internal consumption, a more attractive economic environment, positive indicators in the economies and Africa being seen by the rest of the world as a pole of growth.

25. Mr. Lopes further indicated that Africa had the potential vantage point of entering into the global value chain if it applied the right policy choices. In view of the fact that the global market was a very competitive environment, Africa needs to be flexible, innovative and sophisticated to take advantage of its opportunities. He further indicated that there were examples of special economic zones, and regulatory environments to make things happen. The discussions on regional integration are frequently discussed but there was need to have front runners, specific cities, ports, a country etc. depending on the chain of production involved in the process. He also emphasized the need to have centres of innovation or technology capability at the continental level. He also made the case for certain areas or regions to be the focus of a continent wide investment propelling the rest of the continent which is also needed in the area of demographic dividend.

26. He added that history showed that no country had industrialized without a degree of protection. The need for African countries to negotiate better in trade negotiations in understanding the full chain and the implications, in order to cease all the opportunities by providing policies to support. He pointed to the fact that Africa's comparative advantage was in its political determination and not the natural resources.

27. H. E. Mr Abdoulaye Balde, Minister of Planning of Senegal emphasized that there was no country which could develop without exporting manufactured goods. He said that for Africa to industrialize, there would be need to develop certain sectors for export, including vehicle assembly, textile sector etc., within an industrial free zone. He noted that training and capacity building would be necessary to develop the manufacturing sector. He also said that there was need for awareness raising among leaders to better understand linkages between industrialization and structural transformation and development.

28. Mr. Li Yong, United Nations Under Secretary General and Director General of the United Nations Industrial Development Organization (UNIDO) emphasized the need for energy as very important and related to industrialization and which covers a wide range of issues. He indicated that UNIDO was working on inclusive and sustainable industrial development, which was a new mandate for the organization's assistance to its member states. He reiterated that industrialization was the backbone for transformation of any economy. He recalled the African Union "development agenda 2063" which was also based on the issue of industrialization. He emphasized the relationship between climate change, industrialization and energy. There was also the need to generate wealth, income and jobs.

29. Mrs Ngozi Okonjo-Iweala, Coordinating Minister of the Economy and Minister of Finance of Nigeria said that countries in Europe had over two hundred years of evolving and strengthening and Africa has not had that time. She said that the bigger countries in Africa should play a role in driving regional integration projects because they have the consumer base. She emphasised the need to strengthen the macroeconomic and political environment to ensure effective industrialisation. She noted that Africa had somewhat stabilised and said that Nigeria was consciously taking the necessary steps

to industrialise. In that regard, the government was building a conducive environment for SME development. Further, the government was implementing a policy of import substitution and producing for export.

30. H. E. Mr Alcides Safeca, Secretary of State of Budget in the Ministry of Finance of Angola, outlined Angola's industrial policy formulation. He said that it was driven by infrastructure rehabilitation which had been necessary after years of war. He noted that energy deficits were vast and that they were constructing a hydro power station which would help develop industrial sector. He underscored the need for providing incentives to SMEs including improving conditions of funding, guarantee for loans, credit lines etc. He informed that Angola was trying to diversify away from oil and metallurgical industries.

Discussion

31. In the ensuing discussions, conference participants highlighted that industrialisation of Africa should be based on areas where the continent has comparative advantage. In order to effectively industrialise, there would be need for: transportation and logistics hubs in regions in an effort to enhance competitiveness; smart and intelligent policies that involve the private sector; linking education and training to meet the key requirements in terms of institutional capacity in human resources.

Recommendations

- Countries should maintain public-private partnerships in policy-making and implementation;
- Accelerate regional integration, particularly in infrastructure development;
- Develop human capital to ensure inclusion.

b) Innovation and technology transfer for Enhanced Productivity and competitiveness

32. The session on "Innovation and technology transfer for Enhanced Productivity and competitiveness" was moderated by Ms. Yvonne Okwara, Senior Anchor and Content Producer, KTN.

33. Mr Justin Yifu Lin, Honorary Dean of the National School Development at the Peking University, said that the infrastructure gap in Africa should be filled by the state. He also said that it would be necessary to create and localise a viable business environment, which was the secret of the Asian economies. He underscored the need for the state to engage in technological extension to farmers to ensure enhanced productivity and competitiveness.

34. Mr Bashir Yuguda, the Minister of National Planning Commission of Nigeria noted that making use of technology is the right way to development. However African countries should change the manner in which they handle technologies, moving from

short term vision to a long term vision but also investing collectively in research and innovation. In Nigeria, for instance, the cassava value chain had been developed through the use of technology. Technology had also been employed in developing high-breed seeds for many grains.

35. Mr Michel Sidibe, United Nations Under Secretary General and Executive Director of UNAIDS indicated that reducing dependency from ODA is vital for the development of Africa. He noted that this could be achieved by increasing local production using different platforms such as the new platform in the AU that creates centres of excellence that will help to produce HIV and AIDS medicines in the continent. It was also highlighted that ensuring patent rights of Africans is important.

36. Mrs Mariam Nour, Minister of Economy, Planning and International Cooperation of Chad underlined the need to make careful investment in agriculture and to develop simple technology to produce what we need. She emphasised the importance of regional integration in developing the health and education sectors on the continent. Transfer of technology would benefit Africa if it is made in such a way it is sustainable, notably when it happens in sectors where countries have competitive advantage. Therefore, in African countries technology transfer should occur in resource intensive sectors, but also in labour intensive industries. However, this should be done in such a way to create and protect jobs in order to make technology transfer contribute to inclusive growth. This would need African countries to invest in training of African youth in technology and mathematics and to address the challenges related to the lack of adequate emphasis on research. She concluded by calling on private sector participation in south-south cooperation for employment creation.

37. Mr Donald Kaberuka, President of the African Development Bank highlighted the lack of adequate research on the continent. He however, pointed out that there was a lot of potential and that this should be harnessed. He noted that there were some Africans who were developing technologies that could be patented but were not applying for the patents. He urged governments and the private sector to work together to ensure that technologies developed by Africans were patented. .

38. Mr Pravin Gordhan, Minister of Finance of South Africa, said that renewable energy and space development were necessary for Africa to develop. He urged the AUC and the ECA to carry out some work on creating a knowledge bank for experience sharing.

Discussion

39. During the ensuing discussions some countries shared national initiatives such as the subsidy system in Egypt that covers almost 80 per cent of the population dedicating one quarter of the budget to subsidy. The discussion highlighted that a long term vision is very important and it is a matter of political mandate and if all African countries adopt Agenda 2063, it will create competitiveness among African countries to deliver. This requires political will and allocation of adequate resources.

Recommendations

- Need to convert Africa Agenda 2063 to midterm five year plans in order to make it implementable and to make nations accountable;
- Need to set up more collaborative institutions nationally;
- Political will and adequate allocation of resources;
- Promote research and technology transfer;
- State, private sector and NGOs should collaborate;
- Pragmatism in the spirit of experimentation.

c) *Capacity and institutions for industrial development: the role of the public and private sectors*

40. Ms. Madeleine Mukamabano, journalist, moderated the session on Capacity and institutions for industrial development: the role of the public and private sectors.

41. Panellists discussed the lack of capacity of institutions in Africa and the urgent need to build capacities of institutions; the need to change the mind set with regard to protectionism and openness and the need for some degree of protectionism and to make sure that African products are competitive both in terms of quality and price; challenges facing Africa, namely dumping of products from abroad that overcrowd African markets and the need for African governments to look at anti-dumping policies; the role the private sector should play in industrialization and the government needs to put in place more consistent and coherent policies that attract the private sector.

42. Dr. Khaled Hanafi, Minister of Supply and Internal Trade, Republic of Egypt, focused on the involvement of the private sector in the industrialization process. In this regard, the designing of the government budget should include financial components that give signals to the private sector that the government is more favorable to industrialization. He indicated the need to make the goals of the private sector consistent with the goals of the government. He noted that the industrialization process had changed from managing a production process from A-Z to managing the supply chain of the whole process to how to work through clusters of business to achieve levels of backward and forward integration which is called industrial deepening. The process is in searching for resources as well as searching for markets, the whole idea residing on managing inputs and markets and how to accumulate the value added over the supply chain; and the management of the value chain and the supply chain channeled towards a production to be directed towards a certain market.

43. Mrs. Sarah Alade, Acting Governor of the Central Bank of Nigeria, on her part noted that the interface between the private and public sector must be based on trust; transparency and accountability. She also highlighted the need for credibility and putting in place consistent policies regardless of the change in governments. She also stressed the need for capacity development, with political commitment to deliver. She said that state intervention in investment in human capital was important and should not be left in the hands of the private sector. She also recalled the framework discussion of the recent

Caucus meeting of Governors of the IFI's on the need to re-examine closely the mandate of the Central Banks, which for now was price stability and financial stability. She also reiterated the fact that before globalization, the central banks in developed countries were involved in the industrialization process; hence, the current mandate of African Central Banks would not bring the push towards Africa's industrialization process. She canvassed for the involvement of Central Banks, so that they can play a supportive role in our industrialization agenda. She emphasized the need to refocus and rebuild the abandoned public banks and development finance institutions, for financing of industrial projects. Finally she noted that state intervention would be required rather than waiting on the private commercial banks.

44. Mr. Admassu Tadesse, President of the Eastern and Southern African Trade and Development Bank (PTA Bank), on his part noted that policy credibility and coherence was required. He added that it was clear that industrialization had been absent from the policies of most African countries. Institution building in the area of industries, business associations and financial mechanisms was needed to support value added development. He further indicated that even though the development and strengthening of financial institutions was important, the question would arise as to which financial institutions would be strengthened in order to respond to this new impetus. The institutional building is required in the area of trade and linkages but also in other ministries like the Justice, which also deal with the enforcement of contracts, the ease of doing business, credibility of the contracts etc.

45. He highlighted the importance of finance as well as the type of financing in the whole process of industrialization. Industrial projects financing requires risk capital rather than normal capital that one gets from commercial banks. There is need for venture and risk capitals to address the issue of giving industrialization a big push. Such a big push would not be accomplished with normal financing, hence, the question is; can African governments and partners create that kind of facility. He reiterated that the importance of development banks in the industrialization process could not be over emphasized.

46. H.E Mr. Patrick Chinamasa, Minister of Finance of Zimbabwe on his part stressed the need for public private sector partnerships as well as challenges of access to affordable capital and technology. He said that local participation was required to sustain industrialization, in the area of ownership, participation and management, to encourage FDI flows. He also mentioned the fact that the populations of Africa were not getting sufficient volume of capital for industrialization due to the fact that in most African countries bank saving was demand deposits and there was need to come up with long term financing, like a sovereign wealth fund. Hence, the need to address the financing gap in this quest for industrialization in Africa.

47. Dr Ibrahim Mayaki, Chief Executive Officer of NEPAD on his part noted that there was no emerging or developed economy which had witnessed the development process without a measure of protectionism. He also added that in the context of Africa, there was need to build competitiveness capacity of regional blocks and there was no national solution that was an optimal solution. The solutions were optimal at the regional level. However, he stated that in relation to his previous statement industrialization in the CFA

franc zone as it was today would be extremely difficult in view of the fact that the currency was pegged with the Euro. He noted however, that ECOWAS was in the process of a monetary zone, which was a work in progress. He further mentioned that industrialization in Africa was a political issue, which required a strategic design from leadership upon which expertise comes from to implement.

Discussion

48. During the ensuing discussion participants indicated that the private sector should be involved at all levels of promoting industrialization. The discussion highlighted that institutions are key for industrialization and government should play a major role in building capacity and consolidating the gains made and ensuring sustainability. It was indicated that most of the private sector investment in Africa is misaligned to the industrialization vision and private sector is engaged more in lucrative business rather than manufacturing therefore, the state has a major role in influencing the structure of the private sector to engage more in manufacturing. Financial support is also vital to support industrial development in Africa.

Recommendation

- Government should play a major role in building capacity of institutions to ensure the needs of both the public and private sectors;
- Political will is key for promoting industrialization and need to have a leadership that is private sector oriented;
- Need to identify champions to drive industrialization;
- A community of practice of public-private-partnership is vital;
- Engagement of central banks, developing national development banks and setting up of special funds to finance SMEs is very important;
- Markets protectionism.

d) *Industrialization for inclusive growth and job creation*

49. Mr. Assane Diop, Presenter “Afrique Press TV5”, moderated the session on the theme “Industrialization for inclusive Growth and Job Creation” which was chaired by H.E. Mrs. Ngozi Okonjo Iweala, the Coordinating Minister of the Economy and Minister of Finance of the Federal Republic of Nigeria.

50. In her preliminary remarks, Mrs Ngozi gave a brief overview of development in Africa. She highlighted that Africa is the fastest developing economy in the world, inflation rates have declined, privatization programmes have been improved, and financial markets have been deepened. However, Africa is still behind with regard to human development indicators such as job creation, health and social protection. She highlighted that there is a need to build sustainable social protection, Africa-Africa investment and knowledge sharing and cooperation among African countries. In addition Africans must sustain the African rising story by taking industrialization forward.

51. Mrs Ngozi identified key issues to be addressed such as: why and how does Africa need to transform its development? Why was it important to create jobs in African economies, in light of the fact that youth unemployment was above 30 per cent in significant number of African countries? She reemphasized the need to look at ways and means to create jobs and also to be able to transform raw materials in order to add value to products.

52. She indicated that in order to transform raw materials, there was need to consider the economies of scale and efficiency that can be achieved by looking across sub regions and across the continent to understand how the continent could industrialize its economies. She also indicated the need to strengthen intra African trade and to consider what could be the critical success factors or drivers that would make for industrialization and inclusive growth. On the issue of inclusion in particular, she highlighted the need for social protection or safety nets and special instruments to be created for those who may not have the attribute skills to take advantage of a growing economy beyond creating jobs and also at what cost, and how sustainable that would be. This model on social protection should work for Africa and be financially sustained.

Discussion

53. The ensuing discussion highlighted the importance of training to provide the skills demanded by the labour market and managing of development information. Participants indicated the importance of looking at the emerging sectors such as the green and blue economies and their linkage with development. The importance of investing in energy infrastructure in order to promote industrialization in Africa was also emphasized.

Recommendations

- Reform education systems in order make sure that the skills acquired will respond to the demand required;
- Build capacity of statistical institutions to enable them to manage development information's efficiently;
- Need to design labour friendly policies and strategies that are key for industrialization;
- Need to integrate the poor into the value chain;
- Put in place right policies that promote intra African trade and CFTA;
- Formalize the informal sector and build their capacity.

e) Special Session: Proposed mechanism on alternative sources of financing

Presentation

54. The Chairperson of the AUC presented the report of the High Level Panel on Alternative sources of financing the African Union. She gave a brief overview of the two sources of funding for African Union budgets (Operational Budget, Programme Budget

and Peace and Security Operations). She indicated that Programme Budget, Peace and Security and short term staff are funded by donors. Furthermore, she underscored that some of the programmes that are very crucial for the development of Africa such as trade and industry are not in the interest of donors and donors only support programmes that are of interest to them. To address the gap in funding a High Level Panel chaired by H. E Mr Obasanjo, the former President of the Federal Republic of Nigeria came up with a series of options after consultations and presented the report to the May 2013 Summit of Heads of State and Government. The Summit approved in principle two options (US\$10.00 travel levy on flight tickets originating from Africa to destinations outside Africa or coming to Africa from outside Africa; and US\$2.00 hospitality levy per stay in a hotel instead of tourism levy) and recommended that a Conference of Ministers of Finance and Economic Planning be organized to consider the proposals of financing and the implementation modalities of different options proposed, including exploring increased assessed contributions and other additional proposals by Member States.

Discussion

55. During the ensuing discussions most countries agreed in principle to take the responsibility to finance the AU. However, on the options presented, some countries showed reservations and said they needed to deeply study the options. One of the reservations is double taxation from international flights since some countries have already committed to the Global Alliance for Vaccines and Immunizations in order to fight against HIV/AIDS, Tuberculosis and Malaria by promoting tax on air tickets. The other reservation is both of the options affect countries differently since in some of the countries their economy is heavily dependent on hotel tourism and the tax on international flights also affects competitiveness of the airline industries.

56. Countries also proposed some options such as increasing assessed contributions depending on the size of the economy and looking into other sectors such as export and remittances. Countries also raised some questions such as estimated revenue from the two options, the programmes that are going to be supported, mode of collection, implementation date, implementation modalities and more alternative options. In conclusion it was decided to set up a Ministerial Working Group under the leadership of African Union Commission with the technical support of the United Nations Economic Commission for Africa and composed of the following countries: Algeria, Cote d'Ivoire, Democratic Republic of Congo, Egypt, Ethiopia, Guinea, Kenya, Libya, Mauritius, Niger, Nigeria, Rwanda, Sierra Leone, South Africa, and Tunisia.

Recommendations

- The Ministerial Working Group should examine AU budget targets over the next 3-Years including the budget on peace and security and come up an implementation modality based on the two adopted options in the Report of the High Level Panel and new additional options;

- The Ministerial working group should submit a draft report for consideration by the Ministers of finance at the margins of the World Economic Forum that will take place on 7-9 May, 2014 in Abuja, Nigeria;
- The report of the Ministerial working group will be submitted to next session of the Assembly of Heads of State and Government in June 2014 in Malabo, Equatorial Guinea.

Consideration of the Committee of Experts Report

57. Ministers adopted the Report of the Meeting of the Committee of Experts and the fourteen Resolutions annexed it. The Report of the Meeting of the Committee of Experts and the Ministerial Statement are annexed to this report.

f) Progress report of the High –Level Panel on Illicit Financial Flows

58. President Mbeki, former president of the Republic of South Africa presented the progress report of the High Level Panel on illicit financial flows. In his presentation he briefly presented the Terms of Reference given to the high level panel and presented the progress report. In his presentation he stated the interaction of the High Level Panel with different stakeholders including OECD, World Bank, European Parliament etc.

59. The panellists indicated that Africa needs to take the necessary action to halt illicit financial outflows from Africa and African continent needs a Common African Position on illicit financial flows. They highlighted that the biggest losers are countries with weak tax treaties.

Discussion

60. During the ensuing discussion it was indicated that if Africa takes the right action to address illicit financial flows Africa can finance the Post 2015 Development agenda without donor support.

Recommendations

- African countries need to take actions to negotiate double taxation treaties;
- There is need for a strong commitment to work together to share financial intelligence to curb tax heavens.

Closing Session

61. Closing remarks were made by H.E. Mr Erastus Mwencha, Deputy Chairperson of the AUC, H.E. Mr Carlos Lopes, Executive Secretary of the ECA and H.E. Mrs Ngozi Okonjo-Iweala, CME and Minister of Finance of Nigeria.

62. Mr Mwencha underpinned the need to have credible and coherent industrial policies in Africa in an effort to support industrial development. He said that Ministers

had identified political will and the concept of a developmental state to develop SMEs and attract investment for industrialization and urged governments to play a major role in promoting both. He also emphasized the importance of the Alternative Sources of Financing for the African Union for the implementation of the continental development programmes. He concluded his remarks by thanking Minister Okonjo-Iweala and Mr Lopes for the partnership and passion for an emerging strong Africa.

63. On his part, Mr Carlos Lopes said the Conference was historic in that it attracted more participants and Senior Officials than any other. He thanked the outgoing and incoming Bureaus and the Experts that diligently prepared for the Conference of Ministers. He further thanked the press who were present in massive numbers and for transmitting Conference proceedings all over the world. He thanked the interpreters and translators and ECA and AU teams for the hard work they put in servicing the Conference. He also thanked the Nigerian Government for their contribution towards the Conference. In conclusion, he noted that this was a year of discussing the post-2015 development goals, African development goals and Africa Agenda 2063.

64. The Chairperson of the Bureau of the Conference, Mrs Okonjo-Iweala thanked everybody for honouring her invitation to attend the meeting. She said that concrete resolutions had been taken at the Conference and that steps should be taken to implement them. She thanked members of the Bureau for their support throughout the Conference and said she looked forward to working with them during the course of the year. She extended gratitude to the Central Bank of Nigeria for their contribution to the costs of running the meeting. In closing, she wished safe journey to all and declared the Conference closed.

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Annex 1

MINISTERIAL STATEMENT



UNITED NATIONS



AFRICAN UNION

ECONOMIC AND SOCIAL COUNCIL

ECONOMIC COMMISSION FOR AFRICA

Forty-seventh session of the Economic Commission for Africa

*Ninth session of the Conference of African
Ministers of Economy and Finance*

Seventh Joint Annual Meetings of the ECA Conference of
African Ministers of Finance, Planning and Economic
Development and AU Conference of Ministers of Economy
and Finance

Abuja, Nigeria
29 and 30 March 2014



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Ministerial Statement

Ministerial Statement

We, African ministers of finance, planning and economic development, meeting in Abuja on 29 and 30 March 2014 for the seventh Joint Annual Meetings of the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development and African Union Conference of Ministers of Economy and Finance,

Welcoming the presence and participation of the President of the Federal Republic of Nigeria, His Excellency Mr. GoodluckEbele Jonathan, the President of the Republic of Liberia, Her Excellency Dr. Ellen Johnson Sirleaf, the former President of the Republic of South Africa, Mr. Thabo Mbeki, the Deputy Secretary-General of the United Nations, Mr. Jan Eliason, ministers of trade and industry, the governors of our national and regional central banks, and other high-level dignitaries and special guests,

Therefore declare:

1. We deliberated on the theme, “Industrialization for inclusive and transformative development in Africa”, a subject that has gained momentum owing to the renewed recognition of its potential, role and importance in accelerating and sustaining Africa’s growth and emergence. We debated the theme with the shared conviction that industrialization is one of the most viable paths to employment-generating growth and development, and a core prerequisite for the structural transformation of the continent. Our discussions built on the key messages that emanated from the sixth Joint Annual Meetings, which were held in Abidjan, Côte d’Ivoire, in March 2013.

2. We note that, although Africa’s growth rate slowed from 5.7 per cent in 2012 to an estimated 4.0 per cent in 2013, it is still almost twice as high as the global average. We also note with satisfaction that the growth success recorded in 2013 applied both to natural resource-rich and less resource-rich countries. We applaud this track record of success despite existing challenges and reaffirm our commitment to the pursuit of reforms needed to consolidate and sustain this growth momentum. It is encouraging to observe that some of the growth was underpinned by the successful application by several African countries of sound industrial policy and planning, thereby rekindling a much welcomed continent-wide interest in industrialization as the key to sustaining and boosting growth, among other benefits.

3. We also acknowledge that, in spite of the average growth rate of 5 per cent achieved over the past decade, our countries have had some difficulties in making growth fully inclusive and in reaping maximum productivity gains. As a result, overall factor productivity has been lacklustre, unemployment – especially among young people – remains rampant, and inequalities are worsening. Poverty remains an enduring concern and a source of continuing worry to us.

4. We recognize the imperative of overcoming the various shortcomings of our current growth experience by taking immediate and appropriate action to promote inclusive and equitable development that will propel Africa towards structural transformation. To this end, redressing the continent's continued overreliance on the exploitation of raw materials, with limited value addition, is of critical importance. The urgency of doing so is underscored by the fact that the current commodity-based growth trajectory has not proved capable of generating jobs at a rate sufficient to bring people into gainful and productive employment on a large scale.

5. We salute the efforts that have already been made by African Governments to increase the domestic processing of agricultural and mineral raw materials, nurture upstream and downstream linkages, foster national and regional value chains, revive local manufacturing activities, improve the policy environment to encourage domestic and foreign investment in manufacturing, and promote the competitiveness of national economies. In encouraging the further acceleration of these efforts, we note with satisfaction that the various comprehensive industrial development strategies and frameworks that Governments have launched over the last year are premised on a shared commitment to ensuring that the industrial sector serves as a key driver of the national and continental transformation agenda.

6. We applaud the wisdom of our leaders in proposing Agenda 2063 to guide continental transformation for the next fifty years and achieve a paradigm shift away from short-term approaches and scenarios. We commend the strong emphasis in the process of framing Agenda 2063 placed on the central role that industrialization must play in ensuring that our continent is able to achieve its aspirations for a structural transformation that boosts our economies, empowers our citizens and advances African integration.

7. We commit ourselves to working closely with our counterparts responsible for industrial policies and with other relevant line ministries in our countries, with a view to forging an integrated approach within the governmental system to overcome the various constraints that remain in the way of our efforts to unleash the full potential of Africa as a key industrial hub. To this end, we will address the problem of securing long-term financing for investing in manufacturing, including by reviving development banking and recalibrating financial markets to make them more supportive of Africa's industrialization efforts. We will also encourage the

inflow of quality foreign direct investment, which contributes to the expansion of domestic production, the diversification of exports, the transfer of technology, the upgrading of local skills, the development of local innovation, and the deepening of economic linkages.

8. We will continue to work to sustain a supportive macroeconomic policy environment that will help to nurture the industrial sector. We will play our part in ensuring that policies relating to trade and trade facilitation, investment, energy, infrastructure development, logistics and supply chain management, science, technology, education and industry are more closely aligned. We will also provide policy incentives that will ensure that industrial investments serve the social policy goals and aspirations of our countries, including the empowerment of women. In this respect, we salute the new continent-wide initiative on gender equality and women's empowerment and encourage the Economic Commission for Africa and the African Union Commission to expedite its effective implementation. All of these actions will ensure better outcomes as we move towards the goal of an inclusive structural transformation.

9. We also urge that much greater attention be given to expanding and strengthening local entrepreneurship, removing the various structural obstacles to redressing Africa's infrastructural deficits, and accelerating the efforts that have been made to date to remove practices that increase transaction costs to the detriment of industrial development. In particular, we call on the relevant arms of our Governments to encourage the development of female entrepreneurship as a credible strategy for inclusive growth. In the same vein, we call for a better leveraging of opportunities for youth entrepreneurship as part of a deliberate strategy to ensure that Africa's youthfulness is translated into a full dividend.

10. We believe that there is an urgent need to create jobs for the growing labour force, particularly for young people and other vulnerable groups. We deplore the fact that a significant share of the labour force is engaged in vulnerable employment – which is often characterized by low productivity – mostly in the informal or traditional sectors of the economy. In order to increase employment, we commit ourselves to working with our counterparts, nationally, regionally and continentally, to drive the efforts that are needed in order to increase the productivity and growth rate of the agricultural, manufacturing and modern services sectors in support of transformative outcomes.

11. We are encouraged by the fact that Africa's labour force is increasingly educated and healthy and hence likely to be productive, given the right government policies and interventions. Therefore, in order to accelerate employment growth, large sectors with high employment elasticity need to constitute the main engine of growth. Initiatives and policies that

will support public universities in moving towards subjects based on science, technology and innovation are crucial to a more flexible and dynamic labour market. Well-designed policies and incentives for internship programmes can boost skills and competences and increase the chances of young people finding decent jobs. Given the importance of the informal sector, systems and courses for the development of technical and vocational skills must also take into account the specific needs of that sector.

12. We call on the African Union Commission, the Economic Commission for Africa and the African Development Bank to work closely together to ensure a better interface between the Comprehensive Africa Agriculture Development Programme, the Africa Mining Vision, the Action Plan for the Accelerated Industrial Development of Africa, the Programme for Infrastructure Development in Africa, the Social Policy Framework for Africa, the Continental Free Trade Area, Boosting Intra-African Trade and other related continental policy standards, frameworks and strategies, to ensure that they complement and reinforce one another in pursuit of the common goal of inclusive continental transformation. The funding of these initiatives will require the creative use of our own resources as a means of ensuring greater ownership of our development agenda.

13. We underline the urgency of combined national, regional and continental efforts to redress all aspects of Africa's infrastructure deficits in order to make it possible to strengthen the viability and competitiveness of local industrial enterprises, which are essential to the building of modern and dynamic economies. We also welcome the proposed Africa 50 Fund as an additional innovative financial solution, designed to accelerate the expansion of the continent's infrastructure stock.

14. We commend current initiatives to identify and promote industrial growth poles that serve national, regional, continental and global markets. We urge that every effort be made to ensure that these poles do not ultimately become enclaves. Instead, they should be interfaced with and mainstreamed into the rest of our economies through multiple linkages and value chains that can ensure that they feed into a job-creating and infrastructure development momentum. We also encourage the alignment of the continent's growth poles and industrial corridor strategies with the regional integration agenda, anchored on comparative advantages and specializations.

15. We reaffirm that the goal of making growth inclusive and sustainable requires a clear vision, committed leadership, coherent strategies and long-term planning frameworks. It also

calls for robust institutions and accountable governance structures to enable optimal interaction between State and non-State actors, most notably the private sector.

16. We acknowledge that the quest for the structural transformation of Africa requires a wholesale rethinking of the design and management of industrial policy that is anchored on a clear division of labour among the relevant agencies within an integrated policy framework and a comprehensive action plan that encompasses targets and milestones. It also calls for a better understanding of the opportunities for building competitive lead firms, nurturing national champions, enhancing local and regional value chains and economic linkages, and tapping the growing opportunities offered by domestic and regional markets. Furthermore, we support the resurgence of interest in exploring opportunities to deepen South–South cooperation because of the benefits that it could have for Africa’s industrial transformation.

17. We further underscore the need to build political coalitions, as well as the importance of intersectoral coordination and regulatory effectiveness to ensure policy consistency, coherence and continuity in favour of industrialization. In addition, effective public–private dialogue and partnerships will be key in driving industrial policies. While the private sector needs government support to address market failures, as well as a host of important public goods such as infrastructure, certification and property rights, Governments need information about the obstacles and opportunities that the private sector faces in order to design policy interventions to address these constraints.

18. We acknowledge that the acceleration of growth will depend on enabling the public and private sectors to build, explore and renew industrial capacities and to take advantage of complementarities between sectors, emerging value chains, and the upgrading of products, processes and functions.

19. We recognize the centrality of strong and autonomous institutions for supporting industrial development strategies and for the effective monitoring and tracking of Africa’s progress in bringing about structural transformation.

20. We deplore the unfortunate situation whereby Africa loses \$50 billion a year in illicit financial flows. These flows relate principally to commercial transactions, tax evasion, criminal activities (money laundering, and drug, arms and human trafficking), bribery, corruption and abuse of office. Countries that are rich in natural resources and countries with inadequate or non-existent institutional architecture are the most at risk of falling victim to illicit financial flows. These illicit flows have a negative impact on Africa’s development efforts: the most

serious consequences are the loss of investment capital and revenue that could have been used to finance development programmes, the undermining of State institutions and a weakening of the rule of law.

21. We pledge to take the necessary coordinated action nationally, regionally and continentally to strengthen our economic governance institutions and machinery, focusing especially on tax administration, contract negotiations, and trade-related financial leakages. In addition, we will engage with the international community, in the context of the ongoing discussions on the reform of global economic governance, in order to highlight our concerns regarding illicit transfers, including the question of tax havens.

22. We commend the adoption of the Common African Position on the Post-2015 Development Agenda and welcome the overarching goal of the Common African Position, which is to place Africa's structural transformation goals at the heart of the post-2015 global development agenda. We strongly urge the international community, including all of our development partners, to embrace the Common African Position when formulating the global agenda.

23. We salute the African Central Bank Governors, who have just held their first caucus meeting, for the inclusion of an agenda on Africa's structural transformation in their mandate.

24. We commit ourselves to the vigorous pursuit and implementation of the policy recommendations emanating from our deliberations and to aligning these with our national industrial development strategies in order to ensure that tangible results are achieved. We aim to use these results as a basis for peer learning and experience-sharing at our annual joint meetings. To this end, we call on the African Union Commission and Economic Commission for Africa to facilitate the process of making our meetings even more action-oriented, and underpinned by evidence-based research. We therefore mandate the commissions to generate the necessary documentation on the basis of sound statistical information and analyses.

25. While underscoring the fact that Africa will be the architect and author of its structural transformation agenda, we recognize and appreciate the role that properly aligned international partnerships can and should play to support our efforts. In this respect, we welcome the holding of the 2014 meeting of the United Nations Regional Coordination Mechanism for Africa in parallel with our joint annual meetings, as an opportunity to advance dialogue and build greater synergies for maximum scale and development impact.

26. We thank the Government and people of Nigeria for the warm hospitality extended to each and every one of us during the seventh joint annual meetings. We also congratulate the African Union Commission and Economic Commission for Africa for the efforts that they deployed in order to ensure fruitful and successful meetings.

2014

Report of the seventh joint annual meetings of AU conference of ministers of economy and Finance And ECA conference of African ministers of finance, planning and economic development, Abuja, Nigeria, 27 – 30 March 2014

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