

AFRICAN UNION
الاتحاد الأفريقي



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EXECUTIVE COUNCIL
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ADDIS ABABA, ETHIOPIA

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REPORT OF THE EXTRAORDINARY SESSION OF THE
CONFERENCE OF AFRICAN MINISTERS OF
ECONOMY AND FINANCE

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**EXTRAORDINARY CONFERENCE OF
AFRICAN MINISTERS OF ECONOMY AND FINANCE
11 – 14 JANUARY 2009
ADDIS ABABA, ETHIOPIA**

ECO/Extra/CAMEF/MIN/Draft/Rpt (I)

REPORT OF THE MINISTERS' MEETING

REPORT OF THE EXTRAORDINARY SESSION OF THE CONFERENCE OF AFRICAN MINISTERS OF ECONOMY AND FINANCE

I. INTRODUCTION

1. The Ministers' Meeting of the Extraordinary Conference of African Ministers of Economy and Finance (CAMEF) was held at the Headquarters of the African Union Commission in Addis Ababa (Ethiopia) on 14 January 2009. The meeting was chaired by H.E. Titi Pierre, Minister-Delegate at the Ministry of Finance in Charge of the Budget of Cameroon.

II. ATTENDANCE

2. The following Member States attended the meeting: Algeria, Angola, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Congo, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Egypt, Equatorial Guinea; Ethiopia, Gabon, Gambia, Ghana, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, SADR, Senegal, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.
3. Also in attendance were the following Regional Economic Communities: Common Market of East and Southern Africa (COMESA), Community of the Sahel and Saharan States (CEN-SAD), Economic Community of Central African States (ECCAS). The following institutions were also represented: African Development Bank, United Nations Economic Commission for Africa (UNECA).

III. OPENING CEREMONY

4. The Commissioner for Economic Affairs, Dr. Maxwell Mkwezalamba on behalf of the AUC Chairperson welcomed Ministers and Experts for making it to attend the conference and indicated that their participation underscores the importance they attach to the African integration agenda. He outlined the objectives of the conference as to consider the draft protocol and statutes on the establishment of the African Investment Bank, the feasibility of establishing the pan African stock exchange, the development of a road map and action plan for micro finance in Africa and alternative sources of financing the African Union. He elaborated extensively on the benefits that could accrue if the studies are implemented and further requested Ministers to carefully look into the recommendations made by their experts. He concluded by thanking once more the honourable ministers for taking of their busy schedule and come to discuss these very important issues and wished the conference a great success.
5. Mr Abdoulie Janneh, United Nations Under Secretary-General and Executive Secretary for the Economic Commission for Africa, recalled the importance of Conference Ministers of Finance and Central Bank Governors held in Tunis (12 November 2008) and strategies that Africa should set up in order to mitigate the impact of the financial crisis on trade, investment and inflows. He brought to the

attention of the Ministers that a Committee of 10, as decided by the Tunis meeting, will meet on 16 January 2009 in Cape Town -South Africa to agree on the position of Africa regarding the impact of the financial crisis and the role that should play Africa in the new financial architecture to be presented to the upcoming G20 meeting. He emphasized the need for African countries to take necessary measures to up scale the domestic resource mobilization, the role the African Investment Bank will play and further underlined the importance of micro finance institutions in developing the rural economies. He finally stressed on the fruitful cooperation established between the UNECA and AUC.

6. In his opening remarks, Hon. Ato Mekonnen Menyazewal, State Minister of Finance and Economic Development, Federal Democratic Republic of Ethiopia, welcomed all in attendance and went to underscore the importance of the conference. In his view the focus of the discussion was twofold, namely to enhance the capability of the AU to carry its mandate and to strengthen and diversify the financial sector to support the integration agenda. Therefore the task before ministers is to provide a critical examination of the recommendations of the studies and to give careful consideration to the issues and to reach conclusions that are practical.

IV. ELECTION OF THE BUREAU OF THE MINISTERS' MEETING

7. Since this Extraordinary Conference comes after the Second Ordinary CAMEF held in Yaoundé in November 2006, the Ministers decided to maintain the same Bureau as elected by the Ordinary Conference, the composition of which is as follows:

Chair	:	Cameroon
First Vice Chair	:	Malawi
Second Vice Chair	:	Algeria
Third Vice Chair	:	Ghana
Rapporteur	:	Kenya

V. ADOPTION OF THE AGENDA

8. The Ministers considered and adopted the following agenda:
 1. Opening of the Conference;
 2. Election of the Bureau;
 3. Adoption of the Draft Agenda;
 4. Consideration of the Report and Major Recommendations of the Experts' Meeting;
 5. Consideration of the Report and Major Recommendations of the Legal Experts' Meeting;

6. Consideration and Adoption of the Report of the Ministerial Meeting, Declaration and Resolutions;
7. Any Other Business; and
8. Closing of the Meeting.

VI. CONSIDERATION OF THE AGENDA ITEMS

Consideration of the Report and Major Recommendations of the Experts' Meeting

9. The Chairperson of the Experts' Meeting Mr. Simon-Pierre Omgba-Mbida, First Secretary at the Embassy of Cameroon, presented the Report of the Experts'. The report is divided into four sections:
 - i. Study of the report of the feasibility of the establishment of the Pan African Stock Exchange
 - ii. Study on the alternative sources of financing the African Union
 - iii. Study on the development of the road map and plan of action for micro finance in Africa
 - iv. Consideration of the draft protocol and statute of the African Investment Bank

Consideration of the Study Report on the Feasibility of the Establishment of the Pan-African Stock Exchange

10. In his presentation, the Chairperson indicated that the experts considered a study prepared by the African Union Commission on the Feasibility of the Establishment of the Pan-African Stock Exchange as well as the recommendations of the Experts' workshop held on this issue in November 2008. He noted that this study was mandated by the Decision Assembly/AU/Dec.109 (VI) taken in Khartoum in January 2006. The Study noted that the 25 existing African stock exchanges, 2 of which are sub-regional, all together account for less than 2% of the stock capitalisation and that most of them have low liquidity with a few number of quoted enterprises and a very limited volume of transaction. Taking into account these data, the experiences obtaining in Africa and in the world of stock integration, as well as the constraints and obstacles identified, the Study proposes five (5) different options for integration of the existing African stock exchanges.
11. The meeting was informed that a Study Validation Workshop organised by the Commission in November 2008, the experts recommended the option of the gradual approach. The harmonisation of the legal and fiscal framework, the liberalisation of exchange rates and the movement of capital, the harmonisation of payment and regulation systems, etc will, inter alia, determine the realisation of this option.

Discussion

12. On this issue, the ministers commended the Commission for undertaking this study. They noted that the study was timely as it leads to the promotion of the economic and financial integration of Africa. In their debate, the ministers expressed concern at the present of the low performance of existing Stock Exchanges period. They

however pointed out that the Stock Exchange activity was essentially of a private nature and that the integration process of existing Stock Exchanges should be directed by the development needs of those operating those markets. While noting the complex nature of the Stock Exchange operations, the Ministers indicated their preference for a gradual approach to the integration of the stock markets in Africa.

Recommendations

13. At the end of deliberations, the Ministers made the following recommendations:
 - a. The conclusions and recommendations of the Experts' Workshop, organised by the Commission from 6 to 8 November 2008 should be taken on board given the fact that they reflect the views of stock market professionals;
 - b. The option of gradual approach for integration of African stock markets should be retained. The economic players' concerned (stock exchanges, regulatory bodies, issuers and investors, intermediary agents, Association of African Stock Exchanges, etc.) should take the lead in formulating this approach.
 - c. Fostering the existing national and sub-regional Stock Exchanges as well as the ongoing regional integration initiatives is a prerequisite. This measure entails adoption of appropriate legal and fiscal measures; harmonisation of legal and fiscal frameworks, coordination of regulatory bodies, harmonisation of accounting standards, payments and regulatory systems, etc.
 - d. Conduct of additional study to deepen the option retained that is gradual realisation of integration of the African Stock Exchanges. Such study which should be carried out in light of the experiences of the operation of the existing stock markets should comprise: definition of the conception of Pan-African Stock Exchange, implementation modalities and the way forward, the overall cost of implementation, distribution of such costs between the stakeholders and an implementation plan.
 - e. Member States, which have not established Stock Exchanges, should be encouraged to do so. The effort of these countries should be supported by those with existing stock exchanges by examining how they could assist them to establish their own stock exchanges.

Consideration of the study on alternative sources of financing for the African Union

14. On this critical item, the Chairperson in his presentation gave a brief summary of the study conducted by the Commission on the alternative sources of financing for the AU. The study notes the shortcomings as well as over dependence on external funding of the African Union's budget. He emphasized that the current mechanism for financing the activities of the AU which are subject to statutory contributions from Member States and contributions from development partners has many inadequacies, hence the need to carry out the study on the Alternative Sources of funding for AU. He mentioned that several studies on the financing of AU undertaken proposed import levies on imports, insurance policies, international travel, exports, hydrocarbons exports, private sector, and tourists and these

proposals were submitted for scrutiny to Member States as to assess their likely impact on the national economies

15. Dwelling on the options proposed in the study, he elaborated on the pros and cons of each option and benefits, which could be realized if implemented.
16. The Chairperson informed the meeting that the studies shows that of the eight proposals for alternative financing contained in previous studies, six are sustainable and have no substantial negative impact on the economies of Member States. He also expressed one of the six involving a levy on imports is difficult to implement in the short term. At the end, he informed the meeting that the study of the Commission proposed four options for consideration:
 1. Levy on international travel, coupled with private sector funding, which could bring US\$123million annually
 2. Levy based on structure of Member States' exports, coupled with private sector funding, which could bring US\$130million annually
 3. Levy on hydrocarbon exports, coupled with private sector funding, which could bring US\$602million annually
 4. Levy on insurance premiums coupled with private sector funding, which could bring US\$220million annually

Discussion

17. The ministers welcomed and commended the AUC for undertaking this important study. However, the Ministers agreed that Member States needed more time to examine the study as well as recommendations proposed by the AUC as they could have impact on their economies. The Ministers took note of the options proposed by the study agreed that in addition to the options proposed in the study there is the need to also explore other alternatives of financing .Ministers further reiterated that there is:
 - a. Need for Member States to show political will to meet and honour their financial and obligations;
 - b. Need for Member States to adopt economic and development policies that generate economic growth which enhance their capacity to pay
 - c. Need for African Union to be more forceful in sanctioning those Member States that fail to meet their financial obligations

Recommendations

18. After an exhaustive deliberation on the matter the Ministers made the following recommendations:
 - a) Refer the study to Member States for further scrutiny and to submit observations on proposed options and make suggestions on the other alternative sources.

- b) Member States to forward their comments and proposals to the African Union Commission not later than 15 September, 2009;
- c) Request the Commission to take into account the recommendations of the consultations of the Member States in the new study and present the new document to an Extraordinary Session of the Conference of African Ministers of Economy and Finance in November 2009.
- d) The outcome of the November Extraordinary CAMEF should be presented to January 2010 Assembly of the AU.

The study report on the development of a roadmap and plan of action for micro-finance in Africa

19. The Chairperson of the experts meeting gave a summary of a study conducted by the Commission on microfinance as well as the outcome of a validation workshop of a study held in Dakar, Senegal in July 2008. He underlined a new type of business organization; micro-finance is a true source of job creation and investment in Africa. He also informed the Conference of the Commission's strategy and plan of action which is contained in the study.

Discussion

20. The Ministers welcomed and commended the AUC for undertaking the study and emphasized the importance of Micro Finance for the development of the Continent. However, the Ministers called for a deeper reflection on the recommendations contained in the study and requested for more explanation on the recommendation related to the creation of the Guarantee Fund.
21. The Ministers expressed the importance of the Micro Finance Institutions providing affordable loans. The Ministers also noted that PPP arrangements be extended to MFI activities and not be limited to infrastructure projects.

Recommendations:

22. After exchange of views on this matter, the Ministers took note of the study by African Union Commission and made the following recommendations:
 - The need to deepen the study and tap in the experiences of Member States;
 - Take stock of the existing Microfinance Institutions for experience exchange and sharing
 - Undertake feasibility study on the creation of Guarantee Funds.

Consideration of the draft Protocol of the African Investment Bank

23. The Chairperson of the Bureau presented the report of the meeting of the legal experts on the Protocol and of the African Investment Bank (AIB). He highlighted the main structure of the instrument, laying emphasis on their essential contents.

Discussion

24. The Ministers commended the legal experts for their report. The Ministers also commended Libya for providing support to the Steering Committee of AIB. Some delegation raised the concern related to the concept of low-income countries.

Recommendations

25. At the end of deliberations, the Ministers made the following recommendations:
- i. The draft Protocol be submitted to the AU Assembly of February 2009;
 - ii. The Draft Statute should be sent to the Member States for their comments and recommendations. AUC should receive these comments before 1st May 2009 and that a meeting will be convened to examine the revised Statute. The meeting will comprised legal and Economic and Financial Experts;

Any Other Business

26. The representative of the Government of Libya informed the meeting that the Government of Libya will host and sponsor the next meeting of experts.

VII. CLOSING CEREMONY

27. In his closing remarks, the Commissioner for Economic Affairs, Dr Maxwell Mkwezalamba expressed his profound and sincere gratitude to the Ministers of Finance and Economic Development, for the enviable manner in which they collaborated with AU to make the Extra Ordinary Meeting a success. He also thanked the Experts, ECA, ADB, the Governor of the Bank of Libya, Ambassadors and AUC staff, who, in one way or the other, contributed to the success of the Meeting

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