

**Thirty-sixth Session of the Commission/Conference
of African Ministers of Finance, Planning and
Economic Development**

MINISTERIAL STATEMENT

**Addis Ababa, Ethiopia
1 June 2003**

1. We, the African Ministers of Finance, Planning and Economic Development gathered in Addis Ababa, Ethiopia, on 1 June 2003 under the auspices of the United Nations Economic Commission for Africa (ECA) recall that at our Conference in Johannesburg, South Africa on 19-20 October 2002 we reached consensus on many issues of critical importance to accelerating Africa's progress and development and to meeting the challenges of implementing the New Partnership for Africa's Development (NEPAD). We recall that at Johannesburg we noted that a key feature of NEPAD is the transformation of development partnerships based on mutual accountability.

2. We recognize that since Johannesburg a robust consensus has emerged on the critical importance to development effectiveness of mutual accountability, harmonization and policy coherence, as evidenced by the deliberations at the Rome High Level Meeting on Harmonization on 23 February 2003, the 8th HIPC Ministerial meeting held in Kigali on 29 April 2003, the Spring Meetings of the World Bank and IMF held in Washington from 12 – 13 April 2003, the Special High Level Dialogue of ECOSOC with the Bretton Woods Institutions and the WTO held in New York on 21 March 2003 and the OECD/DAC High Level meeting held in Paris on 22-23 April 2003. Our challenge now is to operationalize these commitments.

3. We attach high importance to our deliberations as representing a critical African effort to: operationalize mutual accountability; promote policy coherence; contribute to making the International Monetary Fund work better for Africa; and overcome the macroeconomic challenges of HIV/AIDS and thereby contribute to meeting the Millennium Development goals (MDGs).

Mutual Accountability, Policy Coherence and Development Effectiveness

4. With the rate of economic growth in Africa slowing from 4.3% in 2001 to 3.2% in 2002, the number of people living with HIV/AIDS at a staggering 29.4 million, the number of people living in absolute poverty at 380 million, and armed conflict in several countries depressing growth rates and reversing positive trends in human development, we are very concerned at the poor state of economic and social conditions in Africa.

5. We recognize that if current trends continue, Africa will not meet the MDGs. Reversing this trend will require a new and energized relationship between Africa and its partners based on trust and a shared responsibility for development effectiveness. We recognize that creating this new relationship requires urgent, coordinated and sustained action. We strongly believe that a cornerstone of the new relationship is the requirement that commitments on all sides be monitored jointly and in a constructive manner.

6. We also underscored the importance of African ownership of the continent's development strategies as the underpinning for the transformed partnerships that we seek with our development partners. This will involve developing home-grown policies and programmes for poverty reduction, improving our governance systems and resolving conflicts on the continent.

7. We recall that at Johannesburg we agreed that, on our part, we must pursue sound economic policies, unleash the private sector and increase market access and trade within Africa in order to effectively implement the NEPAD priorities. We underscored the importance of budget discipline and improving public expenditure management systems in

our countries. We recommended that African policymakers vigorously pursue the reform of regulatory frameworks and competition policies in order to create an enabling environment for the private sector. We stressed the need to open our markets to other African countries by reducing tariffs, dismantling cumbersome border procedures, and improving infrastructure.

8. We believe that the African Peer Review Mechanism (APRM) approved by the Heads of State and Government of the NEPAD Implementation Committee provides a sound basis for assessing and monitoring Africa's commitments. The APRM will provide a systematic assessment that will allow us to track the progress of projected outcomes, identifying and reinforce best practices, assess capacity gaps, and implement the required corrective actions.

9. The APRM process has already identified a number of key indicators – spanning democracy and political governance; economic governance and management; corporate governance; and socio-economic development, including access to basic social services– that will be monitored. We urge the APRM to also include indicators of gender equality and women's access to resources as important additional indicators of socio-economic progress.

10. We welcome the fact that 15 African countries have already signed the Memorandum of Understanding of the African Peer Review Mechanism (APRM). We urge these countries to move forward with implementing APRs to demonstrate that African countries are committed to meeting the obligations set forth in the New Partnership for Africa's Development (NEPAD). We urge other African countries to rapidly accede to the APRM Memorandum of Understanding.

11. We encourage our development partners to continue to focus on increasing the quantity of aid, improving the quality of aid, and enhancing policy coherence all of which are considered central to upholding their side of mutual accountability.

12. With regard to aid quantity, we welcome progress made at different fora, including through Monterrey Consensus, and ODA commitments by members of the G8 and OECD's Development Assistance Committee (DAC). More partners are setting specific timeframes for meeting the UN aid target of 0.7 per cent of GDP, and most others are stepping up their ODA efforts. In spite of these commitments, the level of ODA flows to Africa remains of major concern and needs to be further increased. We therefore recommend that the record of partners' efforts towards meeting the UN target and the Monterrey and G8 commitments should feature as important components in joint reviews of development effectiveness.

13. With regard to aid quality, we commend the progress made by our partners to align their aid programs with country led national development strategies. However, the slowness with which partners are aligning their aid modalities undermines national systems and processes for development and resultant multiple aid-related procedures and requirements are imposing heavy transaction costs on our countries. In this context, we propose that our development partners move rapidly towards budget support in countries where it is appropriate. We note that the predictability and timely disbursement of support still remains elusive, creating difficulties for our countries in designing and implementing key policies on macroeconomic stability and poverty reduction. Therefore, we propose that reviews of donor practices should include criteria to assess the quality of aid based on these concerns.

14. We recognize that weak institutional capacity is a severe constraint on the ability of African governments to deliver effective and efficient services to its peoples. We recommend

that our development partners scale up efforts to support nationally owned capacity building efforts and that African countries give priority to the recruitment and retention of African experts from the diaspora and to on-the-job training of civil servants.

16. 15. We strongly welcome the proposed International Finance Facility (IFF) as the first of its kind designed to mobilize additional resources for the poorest countries to meet the MDGs. We recognize its many innovations, among them its attempt to address the issue of predictability, its emphasis on the untying of aid, and its focus on low-income countries. We look forward to holding further discussions with our development partners on the Facility's operations, particularly its governance structure.

16. We recognize that policy coherence is a key requirement for development effectiveness. We urge that our partners ensure that all policies impacting on African development, including those in the areas of ODA, trade, market access, and agriculture, are consistent with the MDGs. We also recommend that our partners adopt domestic policy measures that would increase FDI flows to Africa.

17. 17. We note with deep concern that OECD agricultural subsidies have a major and negative impact on the agriculture sector in our countries. We, welcome the President of France, His Excellency Jacques Chirac's proposal to remove subsidies on agricultural products as an important step towards greater market access for African products. Furthermore, we note with concern that while our development partners emphasize the need for diversifying African economies towards high value added processed goods, tariff escalation in the international trade regime makes it difficult for African countries to diversify their economies. This problem is further compounded by sharp declines in commodity prices. In this respect, we call for action by OECD countries to front-load the benefits of trade liberalization for the poorest countries by providing immediate duty-free and quota-free market access, remove non-tariff barriers, and develop an appropriate price stabilization mechanism. We urge our development partners to support the promotion of strategic exports and the development of infrastructure to improve Africa's competitiveness in global trade.

18. We welcome recent efforts by West African cotton producers to utilize the WTO dispute settlement mechanism to challenge subsidies to rich country farmers that have depressed the price of cotton on international market. We recognize as an important step in improving prospects for poverty reduction in the subregion because cotton accounts for 50 to 80 percent of export receipts for Mali, Benin, Burkina Faso and Togo, and nine million people depend on the crop for their livelihood.

19. We note with deep concern that negotiations on the key elements of the Doha Development Round have achieved little. Key deadlines have been missed -- for market access for agricultural products, TRIPS and public health, and special and differential treatment -- all areas of critical importance to Africa's development. We urge our development partners to respond positively to African countries' proposals in these areas so as to make the September 2003 Cancun WTO Ministerial Meeting a success.

20. We acknowledge the work undertaken by the ECA in co-operation with the OECD/DAC to establish mutual reviews of development effectiveness in response to the request by the NEPAD Heads of State and Government Implementation Committee. We see

this as an important tool for operationalizing mutual accountability. We look forward to receiving the first report of Joint Reviews of Mutual Accountability at our Ministerial Conference in 2005 and every two years thereafter.

Making the International Monetary Fund Work Better for Africa

21. We acknowledge the work undertaken at the IMF to evaluate its role, policies, and instruments in low-income countries in order to better serve them. The IMF is a key player in promoting sound economic policies and therefore has a vital role to play in delivering high levels of growth with stability and poverty reduction in Africa, and promoting their effective integration into international financial markets.

22. We recognize that an important challenge is to reconcile the need for increased country ownership of adjustment and reform programs with the need for conditions on IMF loans. To reconcile country ownership and conditionality, we recommend that the IMF assist our countries in developing a menu of policy options, impose fewer structural conditions, and provide for "floating tranches" or outcomes-based conditions where appropriate.

23. We recognize that for the PRGF to be effective it must be closely aligned with the PRSP approach. We recommend that a more rigorous analysis of growth prospects be an integral part of PRGF-supported programs. We urge the Bretton Woods Institutions, bilateral partners and the African Development Bank to avoid cross-conditionalities that impede our access to much needed resources.

24. To provide greater fiscal flexibility, the IMF should also analyze the linkages, trade-offs and policy choices required to attain the MDGs. This ambitious scenario would provide a basis for discussions with development partners on mobilizing the additional resources required for progress towards the MDGs. Furthermore, evaluating exogenous shocks -- commodity price volatility, natural disasters and aid shortfalls -- should be a standard feature of IMF discussions with member states. . In addition, we believe that access to concessional lending should be extended to countries suffering from exceptional exogenous shocks such as terrorist attacks and the onslaught of new communicable diseases.

25. We note with concern that the enhanced HIPC initiative is not delivering long-term debt sustainability as expected. We urge the IMF to ensure that all creditors, including commercial creditors, participate in HIPC. We call for the rapid establishment of a legal technical assistance facility to help HIPC deal with creditor litigation, call for the final resolution of the litigation brought against some HIPC countries by non-Paris Club creditors.

26. We urge our development partners to replenish the HIPC Trust Fund. We recommend that the eligibility criteria for HIPC status be made more flexible to permit more African countries to benefit from the enhanced HIPC initiative

27. We recognize that the domestic debt in many African countries requires urgent attention because it reduces fiscal flexibility, raises domestic interest rates and crowds out investment thus hobbling the development of the private sector. We support country efforts at homegrown solutions, including prudent fiscal management and increased efforts at domestic resource mobilization.

28. We also endorse the ECA Executive Secretary's plan to convene an African Expert Group Meeting on debt relief in September 2003 to be followed by an International Conference on African Debt in early 2004. We believe that we must move swiftly to meet the challenge of defining the policies, instruments and initiatives that can constitute the next step in the international community's efforts to reduce Africa's debt burden.

Macroeconomic effects of HIV/AIDS

29. We recognize that the HIV/AIDS epidemic poses a threat of unequalled magnitude to the lives of Africans and to the prospects for good governance and economic development throughout the continent. Current estimates are that the epidemic will cut approximately one per cent from GDP growth rates, thereby significantly diminishing the prospects of realizing the economic expansion necessary to reduce poverty.

30. We recognize that important steps are being taken to confront the HIV/AIDS epidemic. The recent reduction in the price of anti-retroviral drugs means that, for the first time, this life-sustaining therapy may be within the reach of substantial numbers of Africans who are living with HIV. The Global Fund for AIDS, TB and Malaria is channeling needed resources to Africa--though there are concerns that the Fund may run out of resources without additional commitments by rich countries. President Bush's AIDS initiative is also encouraging.

31. As Ministers of Finance, Planning and Economic Development, we recognize the crucial leadership role that our ministries must play in combating the HIV/AIDS epidemic and its effects. Our prime concerns are mobilizing sufficient resources to confront the disease and identifying strategies to mitigate the adverse socio-economic impacts of the epidemic, including, especially, comprehensive national strategies to sustain human resources and institutional capacity.

32. 32. Additional resources are urgently needed in support of our efforts to confront HIV/AIDS. We urge the Bretton Woods Institutions to consider revising the eligibility criteria for assistance to Middle Income Countries afflicted by the AIDS epidemic, and to find ways of ensuring that we are able to expand our expenditure on health and social welfare without violating conditionalities that impose limits on public spending.

33. We welcome the United Nations Secretary General's initiative to establish the Commission for HIV/AIDS and Governance in Africa (CHGA), and we recognize the leadership role of its Chair, the Executive Secretary of the ECA. The CHGA builds upon and complement existing initiatives in combating HIV/AIDS. We see CHGA's mandate as especially relevant to the challenges faced by Ministries of Finance, Planning and Economic Development. We request ECA to keep us apprised of the findings of the Commission in future Conferences.

34. We express our deepest condolences to the people of Algeria for the tragic loss of life and property due to the recent devastating earthquake. We note with grave concern the recent tragic events in the Eastern region of the Democratic Republic of Congo (DRC) and support the international community's efforts to bring peace to this troubled region. We look forward

to further progress towards peace and reconciliation in Cote d'Ivoire and express our deep concern at the economic loss suffered by Kenya as a result of the recent terrorist threats.

35. In concluding, we thank ECA for bringing us all together for this important conference. We wish to thank His Excellency Mr. Trevor Manuel, Minister of Finance of the Republic of South Africa, for his excellent leadership. We also wish to thank His Excellency Prime Minister Meles Zenawi of the Federal Democratic Republic of Ethiopia for his outstanding contributions to our deliberations and to the warm hospitality afforded us in Addis Ababa.