



UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

Distr.: GENERAL

E/ECA/CM.37/9

21 May 2004

Original: ENGLISH/FRENCH

ECONOMIC COMMISSION FOR AFRICA

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

Kampala, Uganda

21-22 May 2004

**REPORT OF THE TWENTY-THIRD MEETING OF THE COMMITTEE OF EXPERTS
OF THE CONFERENCE OF AFRICAN MINISTERS OF FINANCE,
PLANNING AND ECONOMIC DEVELOPMENT**

Kampala, Uganda

18-20 May 2004

A. ATTENDANCE

1. The twenty-third Meeting of the Committee of Experts of the Conference of African Ministers of Finance, Planning and Economic Development was held in Kampala, Uganda from 18 to 20 May 2004. Ms. Kamilla Gumede, Deputy Director of the National Treasury of the Republic of South Africa delivered the opening statement on behalf of Mr. Lesetja Kganyago, Chairman of the Bureau of the Committee of Experts. This was followed by a statement by Mr. K.Y. Amoako, Executive Secretary of the United Nations Economic Commission for Africa (ECA) and welcoming remarks by Hon. Gerald Ssendaula, Minister of Finance, Planning and Economic Development of the Republic of Uganda

2. The meeting was attended by representatives of the following member States: Algeria, Angola, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Congo, Democratic Republic of the Congo, Djibouti, Egypt, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Liberia, Libya, Madagascar, Mali, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

3. The following United Nations bodies and specialized agencies were represented: Food and Agriculture Organization of the United Nations (FAO), International Monetary Fund (IMF), United Nations African Institute for the Prevention of Crime and the Treatment of Offenders (UNAFRI), Office of the Special Adviser on Africa (OSAA), Regional Commissions New York Office (RCNYO), United Nations Office in Nairobi (UNON), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Conference on Trade and Development (UNCTAD), UN-HABITAT, World Meteorological Organization (WMO), World Bank (WB), and World Intellectual Property Organization (WIPO).

4. Observers were present from the following organizations: Aide Ok Camp; African Business Roundtable-East Africa (ABR-E.Africa); Banque de développement des Etats de l'Afrique centrale (BDEAC); Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO); DECD; Department of International Development (DFID) of the United Kingdom; East African Community (EAC); Organization for Economic Cooperation and Development (OECD); Madhavani International; Uganda Finance Trust Ltd; and Union économique et monétaire ouest africaine (UEMOA).

B. ADOPTION OF THE AGENDA AND ELECTION OF THE BUREAU

5. The Committee adopted the following agenda:
 1. Opening of the Meeting
 2. Election of the Bureau, Adoption of the agenda and programme of work
 3. Overview of recent economic and social conditions in Africa
 4. Presentations by the secretariat on each of the issues in the theme paper, to be followed by general discussions. The presentations and discussions will focus on the following:
 - Mainstreaming trade policy in national development strategies;
 - Progress report on ECA/OECD's ongoing work on monitoring mutual reviews of development effectiveness;
 - Brief report on the outcome of the Expert Group Meeting on Africa's External Debt.
 5. Statutory Issues:
 - Consideration of the annual report on the work of ECA, 2004;
 - Consideration of the report on the external review of ECA's work since 1996;
 - Note by the secretariat on the proposals for enhancing the effectiveness of the United Nations Trust Fund for African Development;
 - Other statutory issues.
 6. Proposed Biennial Programme Plan for the Biennium 2006-2007
 7. Any other business
 8. Consideration and adoption of the Report of the Committee
 9. Closure of the meeting

Election of the Bureau

6. The following Officers were unanimously elected by the Committee:

Chairman:	Uganda
First Vice-Chairman:	The Niger
Second Vice-Chairman:	Mauritania
Third Vice-Chairman:	Equatorial Guinea
Rapporteur:	Zambia

C. ACCOUNT OF PROCEEDINGS

Opening Addresses

7. Ms. Kamilla Gumede, Deputy Director of the National Treasury of the Republic of South Africa, on behalf of the outgoing Chair of the Bureau, South Africa, thanked ECA for organizing meaningful and focused sessions of the Conference of Ministers. She described them as major platforms for exploring issues of importance to Africa, citing examples of how issues discussed at the Conferences later impacted on international development discourse. She thanked member States for entrusting South Africa with the Chair during the past two conferences.

8. Ms. Gumede noted that South Africa took over the Chair during the 2002 Conference in South Africa. The theme of that meeting was African Peer Review Mechanism. She indicated that the mechanism was now established and that Ghana was to be peer reviewed in the next few days. She noted that no less than 20 countries were ready to join the review mechanism. She stressed the importance of peer learning, and commitment to home-grown development strategies, which would in turn resonate on how the continent conducted business in other sectors.

9. Honourable Gerald Ssendaula, Ugandan Minister of Finance, Planning and Economic Development, welcomed participants to Uganda on behalf of the Government. He stressed that the discussions would be crucial for the continent's development. He expressed hope that the discussions would focus on policies that would have a direct impact on the lives of African people, many of whom still live in abject poverty. He noted that one critical way of growing out of poverty was through trade, and further noted that the theme of the conference was particularly timely.

10. The Minister explained that trade issues were critical for Africa's development, but noted with concern that the continent was facing many external and domestic constraints. On the external front, African countries were confronted by various forms of subsidies and tariffs in the developed world, which restricted access to their markets, particularly in agriculture, distorting Africa's comparative advantage.

11. The Minister expressed hope that on-going negotiations within the context of WTO and other multilateral trading frameworks (EU's Everything But Arms initiative and AGOA) would be beneficial to Africa. In that regard, he urged African countries to speak with one voice in international trade negotiations in order to increase their bargaining power by sharing experiences and strengthening capacity-building in the area of trade negotiations.

12. Mr. Ssendaula highlighted some of the challenges facing African countries on the domestic front, such as poor enabling environment and inadequate economic infrastructure. He said there was consensus in his country that the key to revitalizing the economy was through export-led growth, liberalization of foreign exchange markets and creation of an enabling environment to attract private investment.

13. He urged all participants to hold open and meaningful deliberations which would enhance mutual understanding of the policies and strategies that African countries needed to adopt in order to seize the 21st century.

14. The Executive Secretary of ECA, Mr. K.Y.Amoako, welcomed all the participants to the meeting and thanked the Ugandan Government for hosting the event.

15. He said the theme of the Conference, Mainstreaming Trade in National Development Strategies, was timely as one of the major preoccupations for African countries over the past year had been issues related to trade policy and negotiation capacity. He informed the Committee that for its part, ECA had established a new Trade and Regional Integration Division in order to better respond to the growing requests from member States for assistance in trade-related issues. He further added that the Commission had established an African Trade Policy Centre to provide independent and Africa-specific research, training and advisory services on trade policy and negotiations.

16. Mr. Amoako informed the participants that the ECA's forthcoming Economic Report on Africa, 2004, raised fundamental questions on whether trade liberalization always promoted economic growth. He pointed to evidence that significant liberalization by African countries had so far not brought about the expected transformations in their economies. ERA 2004 therefore urged Africa to learn from Asia's experience, whereby trade policies had been dynamic and went beyond protection and revenue maximization, driven by strategic development objectives.

17. The Executive Secretary recalled that in 1995 at the time of his joining the Commission, questions were already being raised as to the strategic usefulness of the Commission. He noted that there was urgent need for reform in the Commission. The reform process won significant support from member States, the Secretary-General and the development community in general. He added that it was, nevertheless, important to pause and reflect on these changes, and that the decision of the Conference of Ministers, in Johannesburg in 2002, which called for an assessment of the impact of these reforms, was welcomed. In this regard, the secretariat had consulted member States and reached a consensus on the process of reform, which was already underway. The process had already cost the Commission over US \$200,000.

18. He called upon member States to be more closely involved in setting the priorities of the Commission and to nominate and send officials to participate and contribute directly to

the meetings of ECA's technical committees. This would demonstrate countries' ownership of the Commission's programmes and help ECA alleviate some of its cost constraints.

19. The Executive Secretary proposed that member States should explore all avenues for funding their participation in the activities of the Commission. He said he believed that re-launching of the United Nations Trust Fund for African Development (UNTFAD) would provide an excellent opportunity to demonstrate member States' commitment to widening the programmes ECA is implementing in response to the main challenges facing the continent.

Overview of Recent Economic and Social Conditions in Africa [Agenda Item 4]

20. In introducing this session, the new chairman of the Bureau, Mr. Christopher Kassami, thanked the Committee for its confidence in electing the new Bureau; and thanked the secretariat for the excellent preparations for the meeting. He mentioned the importance of well-designed trade policies in economic and social development, adding that the overarching principle must be to adhere to policies that produce substantial results within a reasonable timeframe. He then called upon the secretariat to present an Overview.

21. The Committee considered the document entitled "Economic Report on Africa 2004: Unlocking Africa's Trade Potential in the Global Economy – Overview" (E/ECA/CM.37/6). The Committee was informed about the main conclusions contained in the Overview document. These were:

22. *Improved growth performance:* Relative to the 1980s and early 1990s, Africa's economic performance had improved in recent years. Analysis of updated data showed that African economies grew by an average of 3.6 per cent in 2003, up from 3.2 per cent in 2002. A stronger-than-expected global economic recovery, higher oil prices and production, rising commodity prices, increased Foreign Direct Investment (FDI), good macroeconomic performance backed by good weather conditions are responsible for this improvement. North Africa grew by 4.7 per cent, and Sub-Saharan Africa by 3.1 per cent in 2003.

23. *Achieving Millennium Development Goals (MDGs):* In 2003, only four countries attained the 7 per cent or higher growth rate required to meet the MDG of reducing poverty by half by 2015.

24. *Macroeconomic performance:* The continent's macroeconomic performance has remained fairly good. In 2003, current account deficits fell, fiscal deficits were kept largely under control, and inflation rose only by about 10 per cent compared to the previous year.

25. *Achieving sustained growth and poverty reduction:* It was noted that to achieve sustainable economic growth and poverty reduction, complementary actions are required. Domestic actions should include maintaining good economic performance, implementing pro-poor growth policies, resolving conflicts, strengthening regional integration and combating the HIV/AIDS epidemic. A strong commitment to the African Peer Review Mechanism would help to create conditions for good economic and corporate governance. International actions by the international community should include finding more effective measures to address Africa's debt problem, providing market access for African exports, and enhancing mutual accountability.

26. In the ensuing discussion, the Committee voiced concern about the slow progress made by Africa towards meeting the MDGs. The Committee noted that at the current rate, many African countries would not meet the MDG targets. Referring to the success of Asian developing countries in pursuing export-led growth and development policies, the Committee felt that despite successful efforts by many African countries which have established good macroeconomic fundamentals and created a stable political environment, these actions have not led to satisfactory economic diversification and export development.

27. The Committee emphasized the need for countries to mobilize domestic and international investment to improve growth potential. The Committee noted that establishing and maintaining peace and security were essential to attracting investment. Developing human resources was crucial for the continent, as countries could no longer attract foreign investment grounds of availability of unskilled labour and low wages. Human resource development is even more important in the continent given that the majority of population is under 25 years of age. This also required improving people's health, and, particularly, combating the HIV/AIDS epidemic on the continent. Helping private sector development through improving planning, managerial and organizational structures will help countries to become more competitive.

28. The Committee observed that the above actions would help create an enabling environment for private sector activities, which are key for breaking away from dependence on primary commodities and moving to value-added goods. Participants highlighted the importance of reliable physical infrastructure in this respect. The participants also felt that there was a need to improve the competitiveness of the African economies in international markets. Improving competitiveness requires substantial investment in economic and social infrastructure. Future development finance by donors must also recognize the need for increased investments on infrastructure.

29. They underscored the importance of South-South cooperation, which should be encouraged as a means of increasing collective self-reliance and reducing dependence on aid. They further stressed the importance of improving food production and food security on the continent to reduce dependence on food imports. They reinforced the need for improving the negotiating position of African countries in multilateral trade negotiation processes, enhancing market access for African exports, and increasing external resource flows to the continent.

30. The Committee noted that low productivity and governance problems were reducing performance in Africa and therefore, needed to be improved.

31. The Executive Secretary of ECA clarified the issues raised in connection with the Commission's work programme. He stated that ECA considers the MDGs as the starting point for Africa's achievement of a broad-based development and, therefore, proposed that the theme of the next Ministerial Conference should be on the MDGs. Given the magnitude of the additional resources required to meet the MDGs, estimated at US\$50 billion, private sector participation is crucial. One critical issue facing Africa is the need to address the serious capacity deficit, a point stressed by the Africa Governance Report under way. The challenges of achieving the MDGs have been worsened by low-productivity and widespread unemployment. Regarding the way forward, he stated that ECA will examine the nexus issues of trade, debt and aid in the context of mutual accountability between Africa and its development partners. Africa's challenges should be addressed under the general theme of

MDGs at the next session of the Conference of Ministers of Finance, Planning and Economic Development.

32. **Recommendations:** Based on the above discussion, several recommendations were made, as follows:

33. The Committee recommended that more work should be done to provide a comparative analysis of the successful Asian development experience and Africa's so as to enable African countries to understand the areas where the continent was lagging.

34. In relation to the data presented, the Committee underscored the need to place greater emphasis on the quality of growth rather than on aggregate growth statistics. The latter should only be meaningful if the benefits of growth have improved the well-being of people.

35. The Committee recommended that data analysis should be disaggregated at the country level to examine the key determinants of growth, which differ from country to country, depending on country-specific circumstances. The determinants of growth for natural resource rich countries may be different from those of resource poor ones.

Presentations by the secretariat on each of the issues in the theme paper to be followed by general discussions [Agenda Item 5]

- ***Mainstreaming trade policy in national development strategies***

36. Under this agenda item, the secretariat made a presentation on the theme of the conference, *Mainstreaming trade policy in national development strategies*. The presentation reviewed the mix of policy actions – both on the domestic and international fronts – necessary to mainstream trade into national development strategies. The presentation also highlighted the challenges involved in devising a coherent trade policy strategy that is supportive of broad-based development strategy.

37. The Committee appreciated the relevance of the theme of the conference for African countries. It noted that the theme was important for two reasons. The first is the increasing importance of trade as well as trade negotiations in the policy dialogue of African countries. The second is the fact that African countries have to date not derived significant benefits from trade and therefore have to find ways to mainstream trade into national development strategies in order to increase their ability to take advantage of the opportunities created by the new multilateral trading system.

38. The Committee commended the secretariat for the high quality of the presentation and the detailed analysis of the issue of mainstreaming trade contained in the issues paper (E/ECA/CM.37/2).

39. In underscoring Africa's marginalization in global trade, it was indicated that whereas in 1980, the continent accounted for 6 percent of world merchandise trade, by 2003 that percentage had fallen to only 2.3 percent. This disappointing performance stands in stark contrast to the Chinese case. In 1980, China accounted for less than 1 percent of world merchandise trade, and by 2003 that figure had almost risen to 6 percent. One reason for this difference in performance is that Asian countries have dynamic trade policies while African countries have so far adopted static trade policies. An additional reason is the fact that

countries in the region depend exclusively on primary commodities and these historically have not been the key drivers of economic growth.

40. It was noted that while a few countries in the region have derived benefits from preferential trading arrangements, others have not been able to derive substantial gains from these schemes. The example of the African Growth and Opportunity Act (AGOA) was cited to underscore this point. It was observed that although AGOA has had some positive effects for some countries, in terms of an increase in FDI, exports, employment and national income, on the whole the benefits have been limited due to the exclusion of “sensitive products” from the preferential list, excessively strict rules of origin, and the “short leash” of the agreement. These restrictions have limited the beneficial impact of the agreement.

41. The Committee’s attention was drawn to a recent World Bank study which revealed that cumulative terms of trade loss over the 1970-97 period was about 120 percent of Africa’s GDP. The Committee was also informed that Africa had lost comparative advantage and competitiveness in a number of key primary commodities. UNIDO’s Industrial Competitiveness Index also shows that between 1985-97, several African countries slipped in their ranking – reflecting a gradual loss of international competitiveness in industrial production. To reverse these trends, appropriate policy actions were needed to diversify the export base and reduce the vulnerability of African economies as well as terms of trade losses.

42. In this connection, the need for a more strategic commercial policy designed to simultaneously promote export diversification and the overall competitiveness of African economies was emphasized. This calls for the adoption of coherent policies and a higher degree of inter-ministerial coordination – in other words, the mainstreaming of trade in national policies.

43. The Committee recognized that the issue of mainstreaming trade was an inter-ministerial one, touching on diverse governmental responsibilities and programmes, hence the need for coordination and policy coherence among various Ministries and Departments. This will ensure that actions taken to realize trade objectives are consistent with the overall national development objectives of a country.

44. The Committee noted that although actions at the multilateral level are critical to bringing about better trade performance by African countries, there are also domestic bottlenecks that need to be addressed, including securing appropriate and predictable sources of finance for enhancing competitiveness; strengthening trade capacity; improving trade facilitation services; addressing the fiscal implications of trade liberalization; and identifying key areas where there is a need to strengthen domestic policies with the objective of achieving a more competitive economy. Other key areas where there is need to strengthen domestic policies include the energy and transport sectors, two sectors which often impede export performance.

45. At the international level, it was observed that African countries faced serious capacity challenges in trade negotiations and it was suggested that efforts be made by African countries the international community to help address these constraints.

46. The Committee was briefed on the latest developments in the Doha Round of trade negotiations. It was noted that following the stalemate at the WTO Ministerial meeting in

Cancun, there had not been much progress in the negotiations. However, in the past two weeks a number of events have taken place that may increase the chances of progress in the negotiations. These include the decision by the EU to eliminate export subsidies if there was a parallel move by the US, and the commitment made by OECD countries in their recent meeting in Paris to agree on a framework before the end of July 2004.

47. The issues under discussion include the following: the timeframe for adoption of a framework for the negotiations as well as the formula to use for tariff reduction; how to deal with preference erosion as well as OECD agricultural support; and how to deal with the development dimensions of the negotiations. Agriculture, Non-Agricultural Market Access, and cotton were identified as priority areas for African countries in the discussions currently taking place. On the cotton sector initiative, it was observed that the main issue was whether to deal with it within the context of the negotiations on Agriculture or treat it as a stand-alone issue. There is also the subject of whether the trade aspect of the cotton issue should be separated from the development aspect. Finally, there is the issue of when to eliminate OECD cotton subsidies and how to pay compensation to the affected countries.

48. The Committee underscored the need for concrete suggestions and recommendations to improve Africa's trade position. In the view of the Committee, this was important because several countries in the region had tried several traditional measures with little success. The difficulties faced by Mali in achieving diversification was cited as an example in this connection. The Committee suggested that more emphasis be given to technological research, the up-grading of skills and empowering the private sector as a way of achieving export diversification in Africa. The need to assess Africa's export potential with a view to determining the kinds of goods that the region could successfully export was also underscored. In this regard, the Committee noted that the African Trade Policy Centre, established recently at the ECA could assist African countries in identifying their trade policy priorities as well as in trade negotiations.

49. Another issue that was raised during the discussion was the need to deepen the privatization of firms in the telecommunication sector. Some participants were of the view that this would reduce transaction costs and enhance Africa's participation in the global trading system. The need for public-private partnership to deal with the problems of low investment in telecommunication and transport infrastructure was also emphasized.

50. The need to mainstream trade into national development strategies was emphasized by several participants and it was noted in this regard that the PRSP could provide a useful framework to accomplish the task. It was, however, suggested in this regard that a new generation of PRSPs be developed to overcome the limitations of the present set of PRSPs. Other recommendations made by the Committee include the need for dynamic trade policies to enhance competition; the need for more capacity-building initiatives for African countries; simplification of cross-border formalities and harmonization of customs procedures between African countries; reduction of transport costs and bottlenecks as a mechanism to reduce transaction costs and enhance intra-African trade; domestic tax reforms to reduce vulnerability resulting from dependence on revenue from trade taxes; the need to promote regional integration as a step towards faster integration into the global economy; the importance of strong domestic institutions; the need to support research, managerial and planning structures to improve the quality of Africa's export products; the need to involve African countries in the work of international standards-setting bodies; and the setting up of a ministerial coordination mechanism.

Progress report on ECA/OECD's ongoing work on monitoring mutual reviews of development effectiveness [Agenda Item 6]

51. Under this agenda item, the ECA secretariat made a progress report on ECA/OECD Mutual Review of Development Effectiveness. The Committee took note of the progress report, which provided the historical background to the mutual review process. The decision to undertake the review emerged from last year's Conference of Ministers, where the theme was mutual accountability for development effectiveness. The OECD Council has now discussed and approved the mutual review process. The report of the review is due for publication in May 2005. The Committee was informed that the review focuses on achieving the MDGs, improving political and economic governance, increasing aid flows, improving aid quality, improving policy coherence and strengthening capacity development.

52. In the ensuing discussion, several participants emphasized that the quantity of aid should form a part of this review since most donor countries do not provide the internationally agreed level of 0.7% of GDP. Related to that, it was underscored that ODA was currently too small in scale, and the lag between disbursement and commitments was too long. In this context, participants felt that African countries are already responding to the demands from OECD countries on mutual accountability and are now waiting for OECD countries to meet their commitments, namely, the coordination of aid giving donor countries and with the development needs of recipient countries.

53. Concerning the issue of policy coherence for Africa's development, some delegates underscored that market access and debt relief would deserve a chapter on their own in the Mutual Review report. However, other participants informed that there are already opportunities for market access, which are currently underexploited and Africa should strive to make better use of these opportunities. In addition, customs delay and corruption were cited as major impediments to trade in Africa and addressing these would improve African trade performance. The Committee also emphasized that informal cross-border trade was important but is not captured in official statistics.

54. The Committee underlined the need for institutional and human capacity building in Africa. Some participants also pointed out that so far not much has been done to use existing capacity-building measures as e.g. Joint Integrated Technical Assistance Programme (JITAP) for selected Least Developed and other African countries. The Committee underscored the importance of aid and trade, particularly market access, to mutual accountability.

Brief report on the outcome of the Experts Group Meeting on Africa's external debt
[Agenda Item 7]

55. The ECA secretariat presented a brief report on the outcome of the Expert Group Meeting on Africa's External Debt, held in Dakar, Senegal in November 2003 and contained in document E/ECA/CM.37/8. The Dakar meeting discussed strategies, policies and initiatives for resolving the external debt problem in the broader context of mobilizing resources for financing the MDGs in Africa. The meeting was organized around the following issues:

56. **Towards achieving long-term debt sustainability:** Even after completing the HIPC program, several countries have fallen back into unsustainable debt. The participants at the

Dakar meeting therefore recommended assessing debt-sustainability country-specifically and using multiple measures including debt service and debt stock measures. They experts emphasized that NPV was not the most adequate measure to determine debt sustainability. They also recommended including domestic public debt in debt sustainability analysis.

57. **Legal aspects of debt:** There was a consensus at the Dakar meeting that the legal aspect is key to understanding the causes of the debt problem. The recommendation was that proper attention should be paid to debt contracts and the legal basis for addressing odious debt needs to be clarified.

58. **Financing debt relief for development:** There was a consensus that debt relief would not be sufficient to finance the MDGs given the projections that \$ 25-30 billion of additional resources per year would be required in Africa for their achievement. The Dakar meeting emphasized that further debt relief must be considered in the context of financing MDGs. There was a consensus that debt relief is more predictable than aid, reduces the transaction cost of managing aid and acts like direct budget support. The Dakar meeting recommended reassessing current development assistance in terms of composition, quality and the balance between loans and grants. With regard to financing debt relief, they recommended exploring the feasibility of IMF gold sales and using IBRD net income to finance the HIPC Trust Fund. It was also emphasized that debt on non-HIPC countries, such as semi-HIPC and indebted middle income countries, has to be considered.

59. **Minimizing the Impact of Commodity Price Volatility:** There was a consensus at the Dakar meeting that commodity shocks are responsible for many African countries' failure to exit the debt trap. In this context they recommended to minimize commodity price fluctuations by engaging in forward contracts, and exploring the feasibility of establishing a central institution to buy and sell commodities. Finally, they recommended providing concessional compensatory and contingency financing through international finance institutions for countries suffering from chronic shocks.

60. **Follow up:** The Dakar meeting strongly recommended that Africa needs to formulate a common position and a collective voice with regard to debt relief. They recommended establishing an ad hoc technical committee to facilitate timely and collective responses to emerging policy proposals.

61. **IMF and World Bank have revisited debt issue at spring meeting:** The secretariat informed the Committee that the IMF and World Bank have formulated new positions regarding debt sustainability analysis and financing, which are similar to the recommendations of the Dakar meeting. These institutions acknowledge that debt relief should be considered as part of financing MDGs. They also announced that the debt sustainability criteria will be revisited and that new financing modalities will be considered such as augmenting access to Poverty Reduction Growth Facilities (PRGF) or improving access to grants for countries chronically suffering from shocks. On another development, the Overseas Development Institute (ODI) called for IMF gold sales to finance further debt relief.

62. The Committee noted with appreciation the conclusions and recommendations of the Dakar meeting and observed that African Heads of State had formulated the position that debt relief should include all African countries regardless of their level of development and income. The Committee also noted that political will was required to address Africa's

external debt burden. Concern was raised about the fact that HIPC discriminates against indebted middle income countries.

63. The Committee welcomed the recommendation to include domestic public debt in debt sustainability analysis. However, one participant expressed the concern that this would put even more pressure on governments to tighten their fiscal position. Some participants also expressed the concern that weak statistical data on domestic debt would make it difficult to ascertain the actual volume of debt for the inclusion of debt sustainability analysis.

64. The Committee agreed that debt relief must be put into the context of achieving the MDGs. Some participants emphasized the necessity to use debt relief for social sectors and the environment. Some participants also emphasized that debt relief should be put into an even broader context: for example, the issue of market access is very crucial because market access will help increase exports. Increased export earnings in turn will help African countries to fulfill their debt service obligations.

65. With regard to coping with external shocks, the Committee noted that commodity price fluctuations are not the only relevant external shocks. Many countries also suffer from exchange rate fluctuations.

66. With regard to the call for fiscal discipline, it was observed that while this issue was important, it was less relevant than in the 1980's as in recent years fiscal deficits in Africa have been kept largely under control. With regard to the use of debt relief, it was emphasized that investment to social sectors is welcome but productive sectors should not be neglected.

Statutory Issues: [Agenda Item 8]

- ***Consideration of the annual report on the work of ECA, 2004***

67. Under this agenda item, the Committee had before it for consideration and endorsement, the *Annual Report 2004* (E/ECA/CM/37/4), which was presented by a representative of the secretariat. The report provides a review of the major activities undertaken by the Commission including its subsidiary organs and the secretariat during the period between May 2003 and May 2004. The Committee appreciated the comprehensive nature and excellent quality of the report.

68. The Committee took note of the major accomplishments in each of the seven subprogrammes which broadly reflect the main priorities in Africa's development, namely facilitating economic and social policy analysis where poverty-related issues are traditionally addressed; fostering sustainable development addressing the nexus issues of food security and sustainable development; strengthening development management with the main focus on promoting good governance and strengthening state capacity for effective service delivery; harnessing information technologies for development; promoting trade and regional integration focusing on building trade-related capacities of African countries; promoting the advancement of women where issues of gender equality and gender mainstreaming continued to be addressed; and supporting sub-regional activities for development under which the work of ECA's five subregional offices are grouped.

69. The Committee was informed that the implementation of activities under each of the subprogrammes also took into account the priorities of the Millennium Declaration, NEPAD and the outcomes of major international conferences such as the Johannesburg Plan of Implementation, the Brussels Programme of Action for the LDCs, the Monterrey Consensus and the Doha Development Agenda.

70. The Committee noted with satisfaction the progress in the preparation of ECA's annual *Economic Report on Africa (ERA)* for tracking country economic performance, *African Governance Report (AGR)* due to be launched during the time of the fourth African Development Forum (ADF) in Addis Ababa in October 2004; the report on *Assessment of Regional Integration in Africa (ARIA)* due to be released at the time of the next AU Summit in Addis Ababa in July 2004; the establishment of an office in Geneva and the African Trade Policy Centre to provide trade-related capacity-building assistance to member States; and the development of a gender development index and compilation of country gender profiles. While commending these achievements, the Committee expressed concern at the lack of accurate data and statistics in most African countries and noted that the effectiveness and efficiency of poverty alleviation programmes were heavily dependent on the availability of indicators for their evaluation. In this regard, the Committee welcomed the initiative by the secretariat to establish the Advisory Board on Statistical Development in Africa (ABSA) to focus on strengthening statistical capacities for tracking progress towards the MDGs and contribute to the fight against poverty.

71. The Committee was informed that two out of six sectoral bodies held their biennial meetings during the period under review. These included the Committee on Regional Cooperation and Integration as well as the Committee on Sustainable Development. In addition, the Intergovernmental Committee of Experts of the five subregional offices (SROs) held their annual meetings during the same period. **(The conclusions and recommendations of the meetings of the sectoral bodies as well as the intergovernmental committee of experts which were held during the period under review are provided in detail in Chapter 3 of the report).**

72. The Committee noted with appreciation the accomplishments of the SROs, particularly in the harmonization of national policies and promoting subregional cooperation and integration progress. It requested the secretariat to continue to lend support to the regional economic communities (RECs).

73. Regarding the work of ECA in promoting policies and strategies for achieving poverty reduction, it was observed that investments in the social sectors such as health and education was the most effective way of promoting the goal of poverty reduction. ECA was therefore encouraged to deepen discussions on these areas where most progress could be made in the attainment of the MDGs. The secretariat indicated that the Economic Report on Africa (ERA) was precisely aimed at assessing and tracking Africa's performance on issues such as growth, poverty reduction, etc. The on-going work of ECA on spatial poverty analysis was also highlighted. With respect the concern raised by some participants that ECA's work on good governance be targeted to support the implementation of the APRM, the secretariat assured the Committee that it was already engaged in consultations with the APR Secretariat to identify areas of future collaboration.

74. The Committee requested the secretariat to intensify efforts to strengthen its dissemination and outreach in order to ensure that its products and services reach a wider audience in Africa.

75. In the light of the above observations and recommendations, the Committee took note of the report.

- *Consideration of the report on the external review of ECA's work since 1996*

76. The Secretariat presented the report "External Review of the Economic Commission for Africa's Work: Outcome and Way Forward" (E/ECA/CM.37/5). The report outlined the processes adopted in planning and implementing the review, including the consultations undertaken with the Ambassadors of the Bureau and Deans of Ambassadors based in Addis Ababa.

77. The review was undertaken at three levels. The first was the staff assessment of achievement and constraints faced in the work of ECA since the reform process began in 1996. The second part was an assessment by an international team of consultants, who also interviewed senior stakeholders knowledgeable in ECA's work. The third was a review by an external Panel of Experts who received both the staff and consultants' reports, and prepared a report summarising its preliminary findings and recommendations for further work.

78. The Secretariat observed that the reviewers were unanimous that the value of ECA's work has been underpinned by the need for relevance and effectiveness in the context of the development challenges of its member States. In this respect, ECA had made significant contributions in a number of areas that address Africa's development needs. With regard to the intergovernmental structure, the reviewers had noted the need to deepen interaction with the member States to improve the effectiveness of ECA. Coordination among UN agencies operating in Africa had improved and there was an ongoing system-wide dialogue to deepen synergy of technical cooperation activities of the UN, especially at the country level. The report further observed that dialogue with RECs and the regional organizations, mainly the AU and ADB, had improved.

79. The Secretariat stated that arising out of the observations of the review, ECA had identified a number of areas to deepen the reform process. These included: more involvement of member States in priority setting; improving knowledge sharing and outreach activities; improving partnerships with research and academic institutions; and strengthening feed-back, monitoring and evaluation.

80. The Secretariat reiterated that the central objective of these efforts was to place member States at the centre of ECA's work, especially in the preparation of the work programme for the 2006/2007 biennium and the programme budget. In this respect, it would be useful to explore ways of involving the member States in the programme review processes with the UN Secretariat in New York. A further central axis was to intensify support to the AU particularly through NEPAD and the APRM, in which ECA was already involved.

81. However, in all these activities resources was a major constraint. The ECA budget had been maintained at zero growth despite ECA's widening responsibilities. A lot of work had been implemented with extra budgetary resources from donor partners. In this regard, the

Secretariat called on member States to raise their levels of financial support by contributing to the United Nations Trust Fund for African Development (UNTFAD), and also through supporting their delegates' participation in the various committees of the intergovernmental machinery.

82. In the discussions that followed, some member States observed that the presentation was comprehensive and informative, and thanked the Secretariat for heeding the call by the Ministers. It was further clarified that the mandate for the review was limited to measuring the impact of the 1996 reforms introduced by the ECA on its capacity to deliver its work programme and serve the continent better.

83. Some member States stated their agreement with the report of the international consultants. It was clear that ECA had played a vital role in assisting African countries in the many areas as outlined in that report. The review was necessary because of the recent political initiatives that have emerged on the continent, including NEPAD and the African Union. Given these new initiatives, it was necessary for the Finance Ministers to be informed about how the activities of ECA could complement those of other institutions.

84. Some member States expressed their appreciation for the work achieved by the review. They stressed that it was important to strengthen dialogue and the relationship between ECA and the AU for the benefit of the member States. In this regard, the on-going restructuring at the AU is an opportunity for the two institutions to deepen their collaboration. Some member States reiterated the need to avoid duplication between ECA and other programmes and funds operating in Africa.

85. In response to the questions, the Executive Secretary of ECA agreed with the view expressed by the delegates regarding the main aim of the review and the need for synergy with the AU and the other programmes and funds operating in Africa. He indicated that reform was a process and that it encompassed different areas: human resources; infrastructure; and delivery of programmes. He stressed that the critical question was whether or not ECA is a better organization as a result of the reforms. His answer to this was a resounding yes. He indicated, for example, that the level of participation at ECA meetings had gone up since the reforms and that the quality of discussions had also improved significantly. Furthermore, ECA had made a major contribution to African positions at major UN conferences as a result of its work. A good example of this was the Millennium Development Summit. These were all major achievements.

86. The Executive Secretary stressed the need for greater involvement of member States in setting priorities for the Commission. He suggested that ways and means be explored to enhance the role of the Committee of Experts in between the inter-sessional period, particularly through the Bureau. Currently, the role of the Bureau is mainly to oversee the work of the Conference of Ministers. There was need for the Committee to come up with recommendations to make the Bureau more proactive.

87. In particular, the Executive Secretary recommended that the sectoral technical committees of the Commission be reinvigorated as effective mechanisms for greater participation of member States in the work of ECA. The preparation of the work programme for the 2006-2007 biennium presented a unique opportunity for the member States to achieve this. In this regard, he called for meetings of all technical committees before October 2004 to consider actions required to implement the recommendations arising from the review, as well

as actively contribute to the preparation of the work programme of ECA for the biennium 2006-2007. Among the issues that the Committees would address are: their role and those of the ICEs and of the Committee of Experts of the Conference in deepening priority setting; strategies to translate the programme budget into outputs; the oversight role of the Bureau in the inter-sessional period; strategies to improve outreach and information dissemination activities and synergy with the AU through NEPAD. It was important that the AU, the NEPAD Secretariat and the RECs participate in the meetings. He offered that the Secretariat develops the appropriate modalities and time table for convening the meetings.

88. The Executive Secretary further stressed that it was important that the member States support their participation in the intergovernmental machinery. He stated that since 80 percent of ECA's resources went into staff costs, this limited the amount of resources available for programme delivery and for responding to other demands. He underscored the fact that deepening the reforms was a shared responsibility with the member States. He, therefore, urged member States to demonstrate their ownership of the organisation through increased participation in the activities of the institution and by contributing to UNTFAD.

89. The Committee endorsed the recommendations contained in the report.

- ***Note by the secretariat on the proposals for enhancing the effectiveness of the United Nations Trust Fund for African Development***

90. Under this agenda item, the secretariat introduced a note aimed at re-launching the Pledging Conference of the United Nations Trust Fund for African Development (UNTFAD) (E/ECA/CM.37/7). The main aim was to invite member States to provide substantial financial support to enable ECA to effectively implement its programmes and operations in line with the strategic guidelines, priorities and other objectives defined by the member States. This is pursuant to the objectives of UNTFAD and the decision of the May 2000 Ministerial Follow-up Committee of the ECA Conference of Ministers held in Abuja to transfer the UNTFAD Pledging Conference from New York to Africa.

91. The Committee took note of both the important role played by the extrabudgetary resources mobilized by ECA through its partnership programme and the need for African countries to complement the efforts of non-African bilateral aid donor countries and institutions. In fact, although these extrabudgetary resources had been substantial, they had not been sufficient to enable ECA to fill the gap between the needs and the available regular budgetary resources.

92. Consequently, the Committee approved ECA's proposal to re-launch, with effect from 2005, the UNTFAD Pledging Conference during the ECA Conference of Ministers. The Committee also called upon African States and bilateral and multilateral partners to endorse this initiative to re-launch UNTFAD and to avail of the opportunity to foster sustainable economic and social development of Africa.

- ***Other statutory matters***

93. The secretariat reported that, further to the Decision of the 25th session of the Conference (Johannesburg, October 2002) to merge the Committee on Natural Resources and Science and Technology (CNRST) and Committee on Sustainable Development (CSD) into a single CSD, the third session of the CSD (CSD-3) reviewed and approved a revised version

of the mandate of the new CSD, which incorporates relevant elements of the mandate of the former CNRST. This Conference of Ministers, in considering the work of the Committees, would be invited to endorse the revised mandate of the CSD.

Proposed Biennial Programme Plan for the biennium 2006-2007 [Agenda Item 9]

94. Under this agenda item, the Committee was invited to carefully examine the proposal contained in the “*Draft Strategic Framework: Proposed Biennial Programme Plan, 2006-2007*” (E/ECA/CM.37/3). The secretariat stressed the importance of the Plan and called upon the Committee to make recommendations on it with a view to refining it, and indicated that the Plan would be submitted to the Committee for Programme and Coordination (CPC) at its forty-fourth session to be held in June 2004. The recommendations from CPC would be transmitted to the General Assembly at its fifty-ninth session when it would consider the Secretary-General’s proposed strategic framework for the entire United Nations Secretariat for the biennium 2006-2007.

95. The Committee noted that the preparation of the Plan was consistent with the General Assembly Resolution that required the Secretary-General to present a Draft Strategic Framework, part one of which dealt with the long-term objectives of the Organization; and part two, the biennial programme plans for all departments of the United Nations Secretariat, including the Regional Commissions.

96. The Plan as presented to the Committee, therefore, reflected the mandates the Commission had given and took into account the objectives of NEPAD and other national, regional and international agreements, including the MDGs. It also took into account the resolutions passed by ECA’s Statutory Committees such as those on sustainable development, gender and development.

97. Following the presentation of the biennium Plan, the Committee made some observations. Firstly, it sought to know how ECA planned to measure the impact of its activities, given that the performance indicators contained in the Proposed Biennial Programme Plan for 2006-2007 were too broad and would not be attributed to ECA activities. In response, ECA clarified that at this stage of the process the Proposed Biennial Programme reflected only general areas of accomplishments. More definitive measurements would be made when the work programme is developed later. The secretariat drew the Committee’s attention to examples of indicators of achievement already included in the proposed Plan pointing out that they would also contain baseline data, concrete targets and specific methodologies and tools for collecting data for measuring impact. In this connection, the Committee urged member States to submit to ECA secretariat their reports on the impact of ECA’s activities in their countries. The Committee underscored the need for an evaluation of the preceding biennial programme in the course of considering the work programme for the new biennium. The Committee observed that, without such feedbacks, it would be extremely difficult to assess the impact of ECA’s programmes and sub-programmes.

98. The Committee further sought to know when the final Plan with budget would be available to member States as requested by the last session of the Commission in 2003. In response, the Secretariat reiterated that the Plan under consideration was only a broad biennium programme, which would be fine-tuned and complemented by a corresponding programme budget for the biennium 2006-2007. The programme budget would be considered

next year by the ECA Conference of Ministers, the Advisory Committee on Administrative and Budgetary Questions (ACBQ) and the Committee for Programme and Coordination of the United Nations. The secretariat assured the Committee that the final Plan and its programme budget would be available by December 2004 and December 2005 respectively, after approval by the General Assembly.

99. In light of the afore-mentioned observations, the Committee endorsed the proposed biennial programme plan for the period 2006-2007.

Any Other business: [Agenda Item 10]

100. No issue was raised under this item.

Adoption of the Report : [Agenda Item 11]

101. The Committee adopted the present report together with the draft resolution contained in the annex attached to this report for consideration by the Conference of African Ministers of Finance, Planning and Economic Development.

Closure of the meeting: [Agenda item 12]

102. In his closing remarks, the Executive Secretary of ECA expressed his gratitude to all the participants for their valuable contributions in making the meeting a success. He noted that one outcome of the reform process that ECA had undertaken was an improvement in the quality of discussions as well as attendance at Committee meetings. He reiterated the need to continue to explore ways to further improve dialogue between ECA and the Committee to increase its level of involvement in ECA's work.

103. In his closing remarks, the Chairman thanked all the participants for their support and hard work, which, he said would make the work of the Ministers easier.

104. The Chairman then declared the meeting closed.

DRAFT RESOLUTION

PROPOSED BIENNIAL PROGRAMME PLAN FOR THE PERIOD 2006-2007

The Conference of Ministers

Recalling General Assembly resolution 41/203 of 19 December 1986 and subsequent relevant resolutions on programme planning,

Recalling further its resolution 809 (XXXI) of 8 May 1996 on new directions for the Economic Commission for Africa and resolution 838 (XXXV) on the proposed revisions to the medium-term plan of the Economic Commission for Africa for the period 2002-2005,

Taking note of General Assembly resolution 58/269 of 23 December 2003, requesting the Secretary-General to prepare for submission to the Assembly, at its fifty-ninth session, a strategic framework for the biennium 2006-2007, to replace the current four-year medium-term plan,

Having examined the proposed biennial programme plan for the biennium 2006-2007 contained in document E/ECA/CM.37/3,

Endorses the programme plan of the Economic Commission for Africa for the biennium 2006-2007, taking into account the discussion and related observations made at the present meeting.