

**Commission for Africa Consultation
(Economy Theme):
Communiqué
Cape Town, 18th January 2005**

Ministers of Finance, Commissioners from the Commission for Africa and representatives of African institutions, business and civil society gathered in Cape Town from 17-18 January 2005 to discuss some of the key economic proposals being considered by the Commission for Africa.

Hosted by the South African Minister of Finance, Trevor Manuel, our meeting built on previous meetings (in Washington, in Abuja, in Addis Ababa) where African Ministers have articulated critical issues and identified priority actions for rich countries and for Africa. These have informed the work of the Commission for Africa.

We are encouraged by the progress we have made. There are more democratic states and fewer civil conflicts. Transparency and accountability has increased, and there is unprecedented macro-economic stability, which is contributing to better economic growth rates than we have achieved in decades. The IMF is projecting economic growth for Africa at over 5.3 per cent for 2005, and average inflation of 9.9 per cent compared to 41 per cent over 10 years ago. Governance indicators are improving at least as fast as any developing region. Through the AU and NEPAD, regionally, and in many ways at the country level, Africa is taking the lead in tackling its own economic and social challenges.

We note that 2005 represents a real opportunity to make progress. We welcome the Commission's efforts in identifying what is achievable and what we all must do to deliver the MDGs. We welcome the Commission's focus on seeking support from rich countries for a strong programme of action that will provide a powerful impetus in support of successful African-owned development initiatives.

We note the case for urgent action. This will require a major effort across several fronts. Ad hoc and incremental efforts will fail. We welcome the Commission's broad approach, including peace and security, governance, human development and inclusion, voice and accountability and the economic issues of growth and poverty reduction, trade, and financing development.

As African ministers, we discussed the economy theme and urge attention to the following:

Growth and Opportunity

Our discussions focused on the importance of promoting growth and the participation of poor people in that growth. We welcome the Commission's proposed areas for action in building capable states. Such states will more effectively deliver improved services, build necessary infrastructure and nurture an investment climate, which will harness the entrepreneurial spirit of Africa's people. Special emphasis will be needed on the participation of youth and women and accelerating growth in agriculture. Science and technology is critical to improving productivity, competitiveness, diversification, thereby raising the growth needed to create jobs and reduce poverty.

We support the Commission's call for an infrastructure facility, backed with substantial resources, to finance NEPAD and other infrastructure plans.

We recognise that the lack of quality data is a serious constraint to our analysis and decision-making ability, and we encourage the Commission to call for substantive capacity building programmes in data gathering and management.

Trade

In our deliberations on trade, we noted the need for better access to the markets of rich countries. A key priority is a pro-development outcome for the Doha round and we encourage the Commission to make specific and time related proposals for action by rich countries to break down their barriers and end their subsidies, particularly in agriculture. Africa will require Special and Differential Treatment and transitional assistance to help it integrate into the global economy, including undertaking fiscal reform, and during this period it will be important to make preferential access work better; to scrutinise carefully and take steps to reduce nontariff barriers, including by relaxing Rules of Origin, and provide help to meet barriers such as international health and safety standards.

But to take advantage of current and improved access we must build the supply side of the economy and our capacity to trade, in particular through the implementation of necessary economic and social reforms. This will require an active private sector, major new investments in infrastructure, actions to reduce trade barriers within Africa – including reforms of customs and other administrations, and of regulatory barriers. A more dynamic private sector will help to reduce reliance on primary commodities and capture more of the value chain.

The potential for regional integration is largely unrealised. By removing African barriers to trade – in tariffs, trade facilitation, customs administration, air and sea regulation – accelerated regional integration can provide a springboard to creating more competitive industries on a global stage, and increasing growth.

Aid and debt relief

Africa's economic development is in the hands of Africans. But progress towards the MDGs will be slow without a significant increase in resources. The Commission should call for at least a doubling of aid. Our capacity to absorb aid has increased, and can improve further as the quality of aid improves. More aid should be delivered through budget support. Aid should be delivered mainly in grants. It should be predictable, long-term and better co-ordinated in support of country plans. Policy conditionality should be improved, with greater reliance on building accountability to Africa's citizens. Donor countries should set timetables to meet the 0.7 per cent ODA/GNI target. The urgency of need requires a special effort now. We welcome the International Finance Facility as the most advanced and technically feasible proposal. We call on the international community to urgently move forward with implementation so that resources become available immediately. We encourage the examination of other innovative sources (special levies and international taxes). A new mechanism to provide finance is needed to address the impact of unexpected shocks.

We urge the Commission to propose 100% multilateral debt service relief for HIPC and other countries, shaped by development needs and levels of poverty rather than the narrow consideration of export to debt ratios. The special needs of post-conflict countries should be considered. Debt relief should be financed with additional resources. Consideration should be given to the debt management constraints and opportunities in middle income indebted countries. We recognise also that this will help to increase confidence for all investors, both domestic and foreign. We agree that the international community should assist African countries to effectively reduce domestic debt.

Increased aid should complement Africa's efforts to create fiscal space, including through measures to increase savings and public revenues. Major gains could be achieved by: improving public financial management and budget reform; reversing capital flight; customs reforms; and actions to address corruption. We recognise the necessity of deepening and broadening the financial sector for improving low saving rates and the availability of credit to farms and small firms.

The way forward

We recognise the significance of taking concerted actions during 2005, including opportunities offered by the G8 Summit in July and various key meetings and events, including the UN Millennium Summit. We stress the importance of the G8 Summit to commit to specific, monitorable and time bound agreements.

We note the importance of the G8 making concrete and significant progress on trade, debt relief and aid during the course of 2005, and we look forward to the recommendations of the Commission for Africa report on these and other issues. However, given the urgency and the need for immediate action, we urge the G8 to begin immediately and in particular for G7 Finance Ministers to reach agreement on 100 per cent multilateral debt relief at their 4th February meeting.

We look forward to the publication of the Commission for Africa report in March 2005. We commit ourselves to work together to deliver the recommendations, and recognise that our own efforts will provide the foundation for progress.

Commitments made by Africa and our development partners must be monitored by relevant review mechanisms, such as the Africa Peer Review Mechanism in the case of African commitments; Parliaments, civil society and the private sector also have a role to play.

Those present:

Hon. Abdelatif Benachenou, Minister of Finance, Algeria
Hon. Luisa Dias Diogo, Prime Minister and Minister of Finance, Mozambique
Mr. Sogue Diarisso, Minister of Finance, Senegal
Hon. El Zubair Ahmed El Hassan, Minister of Finance, Sudan
Hon. Donald Kaberuka, Minister of Finance, Rwanda
Hon. Khushhal Khushiram, Minister of Finance, Mauritius
Mr T.F Nkodo, Vice President, Africa Development Bank
Professor Wiseman Nkuhlu, Chairman of NEPAD Steering Committee
Hon. Goodall E. Gondwe, Minister of Finance, Malawi
Hon. Michel Meva'a Meboutou, Minister of Finance, Cameroon
Hon. David Mwiraria, Minister of Finance, Kenya
Hon. Celestin Bayogha Nembe, Deputy Minister of Finance, Gabon
Hon. Ngozi Okonjo-Iweala, Minister of Finance, Nigeria
Hon. Timothy Thahane, Minister of Finance, Lesotho
Hon. Abou-Bakar Traore, Minister of Finance, Mali
Hon. Mekonnen, Minister, Advisor to the Prime Minister, Ethiopia
Mr. Fola Adeola, Commissioner
Mr. K.Y. Amoako, Commissioner
Mr. Paul Boothe, on behalf of Mr. Ralph Goodale, Commissioner
Mr. Gordon Brown, Commissioner
Mr. William Kalema, Commissioner
Mr. Trevor Manuel, Commissioner
Ms. Linah Mohohlo, Commissioner
Ms. Anna Tibaijuka, Commissioner
Ms. Koosum Kalyan, Shell International, Business
Mr. Mass Lo, LEAD, Civil Society