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Draft issues paper

I. Introduction

A. Background

1. Over fifty years after the first 33 independent African countries gathered in Addis Ababa to form the Organization of African Unity – now the African Union – the continent is looking ahead to the next fifty years. On the occasion of the fiftieth anniversary of the African Union, the Heads of State and Government expressed their commitment to continuing to pursue the pan-African vision of an “integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena”. Within this context, at the twenty-first ordinary session of the Assembly of the African Union, they produced a solemn declaration that set out the priority areas for Africa’s development over the next 50 years.
2. To ensure that the solemn declaration was transformed into reality, as the basis for Africa’s structural transformation, the Heads of State and Government tasked the African Union Commission, supported by the New Partnership for Africa’s Development (NEPAD) Planning and Coordinating Agency and the Economic Commission for Africa, with drawing up a new vision for the continent, to be known as Agenda 2063, through a people-driven approach.
3. Using the recommendations and conclusions of the twenty-first ordinary session as a guide, Agenda 2063 was prepared through a consultative process involving a wide range of stakeholders,

* The Specialized Technical Committee replaces the Conference of African Ministers of Economy and Finance (CAMEF) and the Conference of African Ministers of Integration (COMAI). The Specialized Technical Committee brings together ministers of finance, monetary affairs, economic planning and integration.

including the African diaspora, faith-based groups, the private sector, young people, women, planning experts, think tanks and the regional economic communities. The process also took into account and reviewed national, regional and continental frameworks such as the Programme for Infrastructure Development in Africa (PIDA), the Comprehensive Africa Agriculture Development Programme (CAADP) and the Minimum Integration Programme, as well as Africa's past development experience, including the Monrovia declaration, the Lagos plan of action and the Abuja treaty.

4. Agenda 2063 was adopted by the Heads of State and Government at the twenty-fourth ordinary session of the Assembly of the African Union, which was held in January 2015 in Addis Ababa. They recommended that all relevant stakeholders work towards the successful implementation of Agenda 2063. It is for this reason that the theme of the first Joint Annual Meetings of the African Union Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration and the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development is "Implementing Agenda 2063: planning, mobilizing and financing for development".

5. The successful implementation of Agenda 2063 has some priority implications, notably in the areas of development planning, citizen mobilization and financing for development, that require specific actions to be taken. First, as regards development planning, in order for Agenda 2063 – which is a continental framework – to be implemented effectively at the level of the regions and member States, it must be reflected in regional and national planning frameworks. The idea is that national planning frameworks, such as long-term visions, national development plans and poverty reduction strategies, need to incorporate and reflect the aspirations and goals of Agenda 2063, in order to ensure that the human, financial and institutional resources required for its implementation can be allocated. The same is true at the regional level for the main planning frameworks of the regional economic communities. Second, in the area of citizen mobilization, the idea is to ensure ownership at all levels for the smooth and effective implementation of Agenda 2063. Third, with regard to financing for development, it is clear that Agenda 2063 cannot be implemented without adequate financing means and modalities. A comprehensive resource mobilization strategy driven by incremental investments in focus areas (such as a skills revolution for the twenty-first century, economic transformation or infrastructural connectivity) is needed. This strategy will form the basis for developing and implementing financing plans at the national, regional and continental levels.

B. Objectives of the issues paper

6. The present paper seeks to serve as the basis for discussion on the best way to ensure the implementation of Agenda 2063 and on the roles that ministers and other stakeholders attending the Conference of Ministers can play in that process. More specifically, the paper seeks to generate discussion on the following issues:

(a) How to deepen the public's awareness and knowledge of Agenda 2063, by presenting the key features of Agenda 2063 and the first ten-year plan, results framework, monitoring and evaluation arrangements, and financing and partnership frameworks;

(b) Mobilization and strengthening of commitment in support of Agenda 2063 and clarification of roles, including financing and domestication of the ten-year plan into national and regional plans and frameworks;

(c) Identification of practical ways in which the first ten-year plan – including flagship projects, programmes and other strategic initiatives – could be funded, such as through public-private partnerships, capital markets and other innovative instruments;

(d) Identification and strengthening of appropriate and carefully targeted partnerships, with a view to financing and implementing Agenda 2063 and the first ten-year plan.

7. At this year's Conference of Ministers, it is expected that ministers in charge of finance, monetary affairs, economic planning and integration, as well as the private sector, development partners, academics and other stakeholders, will come up with:

(a) Recommendations on how to incorporate Agenda 2063 and the first ten-year plan into national and regional frameworks;

(b) Recommendations on specific strategies for financing Agenda 2063 flagship projects and other strategic initiatives;

(c) Recommendations on mobilization strategies and how to establish Agenda 2063 partnerships and compacts.

C. Structure of the issues paper

8. Section II provides an overview of Agenda 2063 and looks at the issue of how to domesticate it into national and regional frameworks. Section III looks at the development planning implications of the successful implementation of Agenda 2063. Section IV relates to the mobilization of the general public in support of the implementation of Agenda 2063 at the national and regional levels. Lastly, section V focuses on strategies for financing Agenda 2063. Each substantive section is followed by a set of issues for discussion.

II. Domestication of Agenda 2063 into national and regional frameworks

A. What is Agenda 2063?

9. Agenda 2063, which aims to achieve Africa's structural transformation, has three key components: the vision, the transformation framework and the five ten-year plans.

10. The vision is based on the above-mentioned solemn declaration of the African Union and input from the widespread consultations held with the general public. The vision consists of seven key aspirations, namely:

(a) A prosperous Africa based on inclusive growth and sustainable development;

(b) An integrated continent, politically united and based on the ideal of pan-Africanism and Africa's renaissance;

(c) An Africa of good governance, democracy, respect for human rights, justice and the rule of law;

(d) A peaceful and secure Africa;

- (e) An Africa with a strong cultural identity, common heritage, shared values and ethics;
- (f) An Africa where development is people-driven, unleashing the potential of women and young people;
- (g) Africa as a strong, united and influential global player and partner.

11. The transformation framework sets out the specific goals, priority areas and targets of Agenda 2063, and the strategies for achieving these. Where appropriate, the targets for each priority area have national, regional and continental dimensions. The framework also broadly covers the institutional arrangements for implementation, monitoring and evaluation, financing and partnerships, capacity development, and communication and citizen involvement.

12. The 50-year time frame of Agenda 2063 has been divided into five ten-year plans that will be implemented over the next 50 years. The plans cover the goals, priority areas, targets and strategies of Agenda 2063 at the national, regional and continental levels. They also detail the implementation, monitoring and evaluation, financing and partnerships, capacity development and communication strategies required for their implementation.

13. A draft first ten-year plan has been prepared and is being treated as a work in progress, with further inputs expected from Africa's development management and financing authorities and the regional economic communities, before the plan is finalized and submitted to the Heads of State and Government for consideration at the twenty-fifth ordinary session of the Assembly of the African Union, in June 2015.

B. What makes Agenda 2063 different from previous development frameworks?

14. Agenda 2063 is a useful and relevant departure from previous frameworks. It is based on consultations with the general public, and takes into account national and regional plans and frameworks, thus enhancing ownership of Agenda 2063 and ensuring that ordinary Africans feel connected to both the process and the outcomes. Agenda 2063 is also results-oriented and has adopted a robust implementation, monitoring and evaluation mechanism. Goals and targets have been set, and strategies drawn up, at the national, regional and continental levels. At each of these levels, stakeholders have been identified and assigned responsibilities. As a first step, a capacity assessment and development plan is being envisaged for the regional economic communities and the organs of the African Union, which will be involved in the implementation, monitoring and evaluation of Agenda 2063. Later, the regional economic communities will provide technical backstopping to member States in the area of capacity development.

15. The public consultations revealed the strong desire of Africans to realize certain continental dreams as quickly as possible, including a high-speed train network connecting African capitals and cities, an African passport, and free movement of people and goods. These have been included in the first ten-year plan as fast-track projects. Making the public aware that these initiatives have been made priority projects under Agenda 2063 is a critical first step towards mobilizing Africans and thereby ensuring the successful implementation of the Agenda. In this regard a communications strategy intended to encourage Africans to engage in the process and outcomes of Agenda 2063 has been prepared and will be implemented at the national, regional and continental levels.

C. Domestication of Agenda 2063 into national and regional frameworks

16. Given that Agenda 2063 is a continental framework, it needs to be incorporated into regional and national plans to ensure its effective and successful implementation. Attempts have been made in the draft first ten-year plan to provide some broad guidelines on the role of member States and the regional economic communities with regard to incorporating Agenda 2063 (see annex 5 of the draft first ten-year plan), but these are tentative and require review and validation by Africa's development management and financing authorities.

D. Issues for discussion

17. At the national level, the following questions need to be addressed:

(a) At the governmental level, which institution(s) should be responsible for the implementation of Agenda 2063?

(b) What are some of the practical ways for incorporating the ten-year plan into existing national development plans?

(c) How can government leadership at all levels be mobilized for the effective implementation, monitoring and evaluation of Agenda 2063? For example, should all African legislatures resolve to adopt the plan as the basis for national development and use it to evaluate development proposals?

(d) What steps could be taken to ensure that the domestication of Agenda 2063 is consistent with national planning and legal frameworks?

(e) What steps could be taken to ensure that the baseline targets set out in Agenda 2063 are achieved?

(f) What modifications are required to monitoring, evaluation and reporting systems to accommodate the requirements of the first ten-year plan?

(g) Should there be a uniform format and cycle for planning, monitoring and evaluation for all member States as soon as implementation of Agenda 2063 starts, or is gradual convergence preferable?

(h) What mechanisms and structures should member States put in place prior to the implementation of the first ten-year plan?

18. At the regional level, the following questions need to be addressed:

(a) Given the role of the regional economic communities in deepening Africa's integration process, what specific roles should they play in the implementation of Agenda 2063?

(b) Should there be a uniform planning, monitoring and evaluation cycle for all of the regional economic communities?

(c) Should there be regional variations in the targets set?

(d) How should the African Union backstop the regional economic communities in implementing Agenda 2063?

III. Development planning implications of Agenda 2063

19. The recent experience gained in development planning in Africa has shown that for development objectives and goals to be realized, they must be endorsed and implemented at the national level or even below. For example, the Millennium Development Goals were adopted at the international level, but for the Goals to be achieved, countries had to embed them into national development planning frameworks, including their long-term visions, medium-term plans such as national development plans and poverty reduction strategies, and sectoral plans and policies. CAADP is another good example, because the goals were defined at the continental level, but implementation is taking place at the national level. For CAADP to be effective, Governments have to incorporate its goals into national development plans and agricultural plans and policies, which ensures that the Programme is allocated dedicated resources. Similarly, Agenda 2063 will have to be incorporated into national and regional frameworks in order to ensure it is effectively implemented. Once the Agenda is well understood at these levels and embedded into planning frameworks, the countries and the regional economic communities will be able to allocate adequate human and financial resources for its implementation. Other major stakeholders such as donors, the private sector and civil society organizations operating at the national or regional levels will then come into play, as they usually partner with Governments in the design, implementation, monitoring and evaluation of national planning frameworks. The domestication of Agenda 2063 into national and regional frameworks has huge development planning implications and there is therefore a need to build on Africa's experience in that area.

A. Africa's experience with development planning

20. Africa has a great deal of experience in planning, both at the national and regional levels, and this needs to be harnessed in order to achieve the aspirations set out in Agenda 2063. Most African countries have had national development planning initiatives since the 1960s, but regional planning is a more recent phenomenon. National planning in Africa can be broadly divided into three periods: first, post-independence to pre-structural adjustment programmes (SAPs); second, planning during the SAP era; third, a return to planning under anti-poverty (Millennium Development Goals), growth and employment agendas. Pre-SAP planning was aimed at achieving structural transformation and addressing market failures, with particular emphasis on the development of skills, agriculture and infrastructure. This planning period saw relatively high growth performance in Africa until the early 1970s, with more than three quarters of African countries recording positive annual real gross domestic product (GDP) per capita growth rates. Post-independence plans, however, yielded only modest results in terms of the overarching objective of structural transformation. The failure of the plans was largely due to discontinuities in the planning process, stemming from political instability, institutional and bureaucratic weaknesses, poor plan design and implementation, and over-ambitious targets.

21. Under the SAPs, the role of the State in socioeconomic development was reduced and privatization of public enterprises and trade liberalization was encouraged, with a view to keeping budget deficits and inflation levels low. While the SAPs generally succeeded in restoring macroeconomic stability in many African countries, annual growth largely stagnated or fell compared to the previous period, and such programmes were also detrimental to social development in many instances.

22. Planning re-emerged in the early 2000s, with Poverty Reduction Strategy Papers (PRSPs). These were intended to reverse the negative effects of two decades of structural adjustment on social conditions and welfare. PRSPs initially placed a high premium on social sectors at the expense of

productive sectors, but the scope of PRSPs has evolved beyond poverty reduction to include inclusive growth, structural transformation and wealth and employment creation, which has led to a more comprehensive planning approach in recent times (Economic Commission for Africa, 2014a).

23. There have also been numerous attempts at the continental level to develop and implement continental frameworks to address Africa's numerous and varied challenges. The 1980 Lagos plan of action, for example, set out Africa's vision for structural transformation and socioeconomic development, but failed to deliver because the countries were focused on the SAPs at the time. The Abuja treaty of 1991, which aimed to establish an African economic community and which contained some of the commitments of the Lagos plan of action, also failed, in part because of countries' concerns about integration and ceding their sovereignty to a regional body. In 2001, the NEPAD programme was adopted, with a view to espousing a more strategic approach to accelerating Africa's socioeconomic transformation and integration agenda. It features sector-specific programmes such as CAADP, PIDA and the African Peer Review Mechanism.

24. While not all planning experiences have proved positive in terms of development outcomes, recent attempts are much more satisfactory and promising, as evidenced by the fact that Africa is now home to more than 10 of the fastest growing economies in the world, with this situation projected to continue in the medium term. Continuous discussions and policy dialogue around Africa's development planning experience has led to the identification of a number of challenges faced by planners, which are discussed below.

B. Development planning challenges that could hamper the successful implementation of Agenda 2063

1. Development planning capacity

25. Widespread consultations with development planners have enabled some of the major challenges that hamper development planning in Africa to be identified (Economic Commission for Africa, 2014a). These relate to weak technical, institutional and financial capacities, lack of familiarity with planning tools, inadequate capacity to cost plans, failure to implement prioritized activities and difficulties in linking plans with budgets and medium-term expenditure frameworks. The deficit of skilled policymakers, development planners and technical staff is also a problem, and it is exacerbated by migration and the brain drain. Current planning processes are also adversely affected by poor coordination among institutions. The implementation and monitoring and evaluation of development plans are not always coordinated across different sectors, actors, regions and development partners, and monitoring and evaluation units are often not embedded in the appropriate ministry or do not share information with all the ministries concerned. Planning is also constrained by significant financial shortfalls, which hinder the implementation and monitoring and evaluation of projects and development programmes. All of these challenges affect the achievement of the overall development objectives set out in national development plans, and will hamper the implementation of Agenda 2063.

2. A robust statistical system

26. The availability of data and statistics for developing baselines, assuring effective monitoring and evaluation and adopting corrective measures when necessary is also a requirement for sound planning and the successful implementation of Agenda 2063.

27. The field of statistics in Africa faces many challenges including inadequate allocation of resources for statistical activities, lack of institutional capacity, the low profile of statistics on the continent, inadequate coordination of statistical activities, and minimal consideration of African specificities when creating international standards. Nevertheless, great strides have been made and Africa is increasingly able to produce high-quality statistics to inform public decisions, thanks to country-specific programmes, continental statistical development frameworks and continental initiatives. These include efforts to improve the profile of statistics at the African Union Commission, the Economic Commission for Africa, the African Development Bank and the secretariats of the regional economic communities. The African Charter on Statistics and the Strategy for the Harmonization of Statistics in Africa provide a legal framework for the coordination and production of harmonized statistics in Africa, and it is hoped they will further encourage the production of high-quality statistics. The African Union Institute for Statistics and the African Training Centre will also contribute to the provision and promotion of quality statistics, statistical information and best practices in support of the implementation, monitoring and evaluation of Agenda 2063 and the post-2015 development agenda.

28. Nevertheless, given the data needs if Agenda 2063 and the post-2015 development agenda are to be implemented successfully, specific discussions are needed, such as the one currently under way on the concept of a data revolution. This year's Conference of Ministers offers an opportunity to start reflecting on this.

C. Issues for discussion

(a) What steps could be taken to revitalize planning in general at the national and regional levels for the benefit of Agenda 2063?

(b) What major lessons can be drawn from Africa's development planning experiences that could help with the implementation of Agenda 2063?

(c) What should be the modalities and guiding principles at the national and regional levels for embedding the ten-year plan into long, medium and short-term development planning frameworks?

(d) What should be the guiding principles for the implementation, monitoring and evaluation of the ten-year plan (at all levels)?

(e) How can the statistical and data requirements of Agenda 2063 be met?

(f) What roles could be assigned to continental institutions such as the Economic Commission for Africa, the African Development Bank and the African Capacity Building Foundation in terms of revitalizing planning in general and implementing Agenda 2063 in particular?

IV. Mobilization of stakeholders in support of the implementation of Agenda 2063

A. Initiatives for mobilizing citizen support for Agenda 2063

29. Agenda 2063 is the collective vision of all of Africa's stakeholders; successful implementation requires the continuous mobilization and ownership of the Agenda on the part of African stakeholders, including the diaspora, through effective communication and outreach, and sustained and inclusive social dialogue. Full participation and stakeholder buy-in are essential to achieving Agenda 2063.

30. Indeed, Agenda 2063 is intended to be fully participatory and owned by all of the continent's stakeholders, with the full engagement of women and young people in particular, with a view to rekindling the spirit of working together towards collective prosperity and a common destiny under a united and strong Africa (African Union Commission, 2014a). To this end, Agenda 2063 seeks to harness the continent's resources, particularly its people, history and cultures, to bring about equitable and people-centered socioeconomic and technological transformation and eradicate poverty. It is a call to action to all Africans and people of African descent to take personal responsibility for the destiny of the continent and to see themselves as the primary agents of change and transformation. The determination, participation, self-reliance and solidarity of Africa's peoples and its leaders are essential for success.

31. It is against this background that at its meeting in Addis Ababa in May 2013, the Executive Council of the African Union called upon the African Union Commission, in collaboration with the African Development Bank and the Economic Commission for Africa, to continue refining the first draft framework document for the development of Agenda 2063 through a consultative process involving all segments of African society. Pursuant to this request, the Commission organized a series of continent-wide consultative meetings and brainstorming sessions.

32. Subsequently, during the twenty-third ordinary session of the Assembly of the African Union, held in Malabo, in June 2014, the Heads of State and Government, having been given an updated version of the draft framework for the development of Agenda 2063, instructed the African Union Commission and the NEPAD Planning and Coordinating Agency, in collaboration with the African Development Bank and the Economic Commission for Africa, to continue to raise awareness of Agenda 2063 and to solicit further inputs from the African public in order to ensure its ownership. They also called upon the member States to carry out domestic consultations, with a view to capturing the views of a wide cross section of African society on Agenda 2063.

33. In response to these requests, the African Union Commission organized a series of consultative meetings and brainstorming sessions involving various stakeholders, including young people, women, civil society organizations, members of the diaspora, African think tanks and research institutions, policymakers, the private sector and faith-based organizations. Additional input was gained from continent-wide sectoral ministerial meetings and consultations with the regional economic communities.

34. The consultations on Agenda 2063 were a major step forward as they provided stakeholders with a forum in which they could share their vision of the Africa they want by 2063 and propose goals, milestones, key drivers, enablers and priority actions (African Union Commission, 2014b).

Indicative list of consultations and inputs received		
Member States 14 member States National workshops	Broad-based consultations Private sector African academics Think tanks	African Union organs Pan-African Parliament Anti-Corruption Commission African Court on Human and Peoples' Rights African Commission on Human and Peoples' Rights
Ministerial meetings Tourism Science and technology Finance and development Social affairs, labour and employment Agriculture Infrastructure	Planning experts Development specialists Civil society organizations Diaspora Young people Media Women Faith groups	Specialized inputs RUFORUM GIMAC Organization of African Trade Union Unity

Women and gender Integration	African island States Former heads of State and Government	Association of the African Public Services Commissions African Airlines Association African Wildlife Foundation AMCHUD African Cultural Heritage Foundation African Women Business Linkages Forum Youth to Business Forum Agenda 2063 Technical Committee (AUC, AfDB, ECA, NEPAD)
Continental frameworks 55 existing	Web-based consultations	
Regional plans 7 frameworks	National plans 33 member States	

35. In addition to the consultations, 14 member States have provided written comments on Agenda 2063, which have been incorporated into the Agenda 2063 documents.

36. Further consultations are due to be conducted at the continental level in the following areas: manufacturing, industry, trade and investment; human capital (health, science, technology, innovation, higher education, and information and communications technology); governance, democracy, peace and security; social and cultural development, including women and young people; agriculture, the blue economy and the environment; and integration and infrastructure (transport, energy and communications). The results framework, the proposed implementation and monitoring and evaluation arrangements, the financing and partnership strategy, and the communications and capacity development strategy for the first ten-year plan are due to be reviewed and adopted by the regional economic communities.

B. Challenges

37. Despite the extensive consultations undertaken to mobilize support for Agenda 2063, a number of challenges remain. First, awareness of the Agenda remains low among stakeholders and the general public. The scope and scale of the consultations need to be expanded to raise awareness and mobilize support for the Agenda. Second, the task of aligning the Agenda with national and regional development plans remains a challenge, especially for countries and regions where the planning cycle is not synchronized with the Agenda. Third, despite some progress, planning processes in Africa have tended to be top-down, with minimal involvement of the private sector and community-based civil society organizations. In some instances, the involvement of international non-governmental organizations has been rejected, in particular in the planning process, due in part to their perceived connection with western Governments. Strengthening community-based non-governmental organizations is essential, therefore, to ensure that they truly reflect the aspirations of their communities and drive community development.

38. Given the increased focus on domestic resource mobilization and partnerships, strengthening the role of the private sector in the design and implementation of national and regional development plans is imperative. However, historically, in Africa the private sector has not been an active partner in the design and implementation of development frameworks. It remains to be seen the extent to which all stakeholders, including the private sector, will embrace Agenda 2063 and participate in its implementation. Successful mobilization will hinge in part on the extent to which the consultation process is able to take on board the views of the various stakeholders and reconcile extreme differences of opinion.

C. Issues for discussion

39. Issues for discussion include:

(a) What communication strategies could be introduced to raise awareness of Agenda 2063 and encourage stakeholders and the public to contribute to its formulation? In particular, what can be done to ensure that the private sector is actively involved in the design and implementation of the Agenda?

(b) Issues related to the reform of global governance institutions and global agendas, such as the ongoing climate change negotiations and the post-2015 development agenda, will have implications for Agenda 2063. What mechanisms of engagement with the global community are in place to ensure that the global governance architecture is conducive to the implementation of the Agenda?

(c) What strategies are in place to mobilize the global community in support of the implementation of Agenda 2063?

(d) How can national Governments promote the development and capacities of community-based organizations, with a view to ensuring credible community participation in the design and implementation of Agenda 2063?

(e) Consultations have thus far focused on Agenda 2063. What consultative mechanisms are in place to facilitate linkages between the Agenda and national and regional planning frameworks?

(f) What specific roles should continental bodies, including the African Union Commission, the Economic Commission for Africa, the African Development Bank and the regional economic communities, play in the mobilization and implementation phases of the Agenda?

(g) How can the awareness and knowledge base of the African public be improved with regard to Agenda 2063 and the first ten-year plan, with a view to ensuring that they feel connected to the process and the outcomes of the Agenda?

(h) How can civil society organizations, other grass-roots organizations and the private sector be mobilized to support Governments in incorporating Agenda 2063 in general and the first ten-year plan in particular?

(i) What key platforms and channels of communication could be set up to engage the public at the national level that are consistent with the communications strategy of the Agenda?

V. Financing and partnership

40. The importance of securing financing to implement the continent's development agenda cannot be overemphasized. Africa needs financial support to achieve the aspirations and priority continental programmes (such as PIDA, CAADP, the Action Plan for the Accelerated Industrial Development of Africa [AIDA], the Action Plan for Boosting Intra-African Trade [BIAT], the African Mining Vision [AMV], the Ouagadougou declaration and the African Peace and Security Architecture) embedded in Agenda 2063.

41. Despite the various aid commitments of development partners, the reality is that aid continues to be based on donors' priorities, which are changeable; in addition, aid is often conditional, and is sometimes difficult to access once the financing agreement has been signed. The African development

finance landscape is also characterized by the emergence of new players, such as the so-called BRICS countries (Brazil, the Russian Federation, India, the People's Republic of China and South Africa) and other bilateral partners such as Malaysia, in addition to traditional donor countries, notably the members of the Development Assistance Committee. From a debt financing perspective, improved access to the international capital and Eurobond market has resulted in a slight increase in the continent's overall public debt level to 34.2 per cent of GDP in 2013 (International Monetary Fund, 2014) which, although moderate, calls for caution given Africa's previous external debt crisis.

42. Fiscal revenue continues to support the bulk of the continent's recurrent expenditures and investment needs. In 2013, for example, savings and investment rates accounted for 19.4 per cent and 23.7 per cent respectively of GDP for sub-Saharan Africa.¹ However, although these rates are increasing, they continue to be the lowest of all developing regions as a result of the low level of financial inclusion. In addition, the continent's growing institutional savings (pension funds, insurance funds, foreign exchange reserves of central banks and sovereign wealth funds) have yet to start supporting the huge financing needs of the continent, due to a combination of a low level of capital market development, higher internal risk perception and regulatory constraints for investing in African securities. Another noteworthy development is the importance of diaspora remittances as a potential source of financing, along with diaspora savings and cross-border and intra-African investment, which are also gaining in importance in the financing landscape of the continent.

43. Against this background, for the financing of Agenda 2063, African stakeholders have called for an increased focus on domestic resource mobilization. The rationale for focusing on domestic resource mobilization springs from a desire for sustainable growth and poverty reduction, and the need to create policy space to accommodate genuine domestic ownership and national diversity.

44. Based on the above, and as part of the implementation plan of Agenda 2063, a comprehensive Agenda 2063 financing and domestic resource mobilization strategy has been developed by the African Union's Agenda 2063 technical team. The key tenets of the strategy are set out below.

A. Financing needs of Agenda 2063

45. The financing needs of Agenda 2063 are considerable, in particular with regard to regional integration; intra-African trade; infrastructure; science, technology and innovation-based industrialization and processing of local resources; agriculture, food security and environmental sustainability; health and nutrition; education attainment, science, technology, engineering and mathematics-based education, research and centres of excellence; and inclusive and sustainable growth, including support for women and youth entrepreneurship. Other areas requiring financing include peace, security, human rights and regional stability; cultural identity; and capacity-building for the African Union and its organs, the regional economic communities and the member States.

46. Agenda 2063 should be financed in a range of ways, including pure grants, technical assistance resources, social impact resources, concessional loans, market price-based commercial loans, equity and other market-like instruments, foreign direct investment and portfolio investment by the private sector (debt, bonds, equity and other securities).

¹ The investment rate for the continent was 21.7 per cent in 2012.

B. Conceptual framework and rationale for focusing on domestic resource mobilization

47. Domestic resource mobilization refers to the savings and investments generated by households, domestic companies and Governments. It does not suffer from the disadvantages associated with foreign direct investment and foreign aid, which are tied to the objectives of foreign investors and donors. However, domestic resource mobilization may be seen as difficult by many African countries, which may think attracting external resources seems like an easier option.

48. In the long run, external resources cannot typically meet more than a small proportion of any country's overall investment needs and cannot do so in a predictable or sustainable manner (Culpeper and Bhushan, 2010). Moreover, African countries have particular investment needs in priority areas that are typically not met by external resources, such as the agricultural sector. Although agriculture is vital for the local market and national food security, it tends to be given low priority by foreign investors compared to sectors such as natural resource extraction and mining, manufacturing and tourism.

49. While domestic resource mobilization will not cover all the financing needs of Agenda 2063, it is hoped that it will account for at least 70 to 80 per cent of the total. Traditional funding mechanisms, such as international financial markets and foreign direct investment, should cover the remainder.

C. Challenges of financing Agenda 2063 through domestic resource mobilization

50. Financing Agenda 2063 through domestic resource mobilization is not simply a question of how to mobilize domestically generated financial resources; it is also a question of how to leverage those resources and use them to finance productive investments; trade; inclusive and sustainable social development; peace, security and regional stability; and governance, coordination, policy and programme administration and harmonization of the African Union, the regional economic communities and African Governments, within the framework of Agenda 2063.

51. In other words, Africa needs not only funds, but also a more effective and inclusive means of channelling funds (and also financial institutions, markets, instruments and services) to where they can be most effective and where the market is currently failing to reach.

D. Strategy for financing Agenda 2063

52. The financing strategy of Agenda 2063 focuses on four dimensions: an enabling environment; domestic resource mobilization; financial intermediation; and access to finance.

1. Enabling environment

53. African policymakers should be mindful of the fact that macroeconomic uncertainty has important implications in terms of the feasibility of domestic resource mobilization strategies. A comprehensive policy and institutional framework needs to be developed to guarantee the necessary internal conditions for domestic mobilization, which will ensure that:

- (a) Domestic savings (both public and private) can be mobilized;
- (b) Tax revenue can be raised;

(c) Adequate levels of investment (public and private sector) can be sustained, by working on both the supply and demand sides;

(d) The capacity of domestic markets can be increased or domestic markets can be established where they do not exist or are too thin (including financial markets);

(e) Corruption at all levels can be tackled;

(f) Human capacity can be increased, in particular on the policy and regulatory capacity front, but also in terms of talent and expertise development in both traditional and specialized financial services (bonds, project finance, investment banking, infrastructure, public-private partnership finance, oil, gas and minerals finance, small and medium-sized enterprise finance and micro-finance).

54. Furthermore, some reforms require preconditions in the wider economic and political environment, without which they will be ineffective or counter-productive. Speeding up the regional integration process through the implementation of the Minimum Integration Programme, by establishing the African Integration Fund, is one such precondition.

2. Domestic resource mobilization

55. Comprehensive domestic resource mobilization will require:

(a) Raising increased public and fiscal resources through relevant reforms;

(b) Mobilization of savings, by increasing the number of bank branches and the role of the informal sector and microfinance;

(c) Deepening of capital markets and financial sectors;

(d) Introduction of measures to curb illicit financial flows and capital flight and to fight corruption;

(e) Mobilization of remittances and diaspora resources;

(f) Mobilization and leveraging of resource rents;

(g) Introduction of solidarity-linked levies on private sector resources;

(h) Establishment of frameworks to facilitate the mobilization of African private sector investment resources, both domestically and cross-border, including through public-private partnerships and investment facilitation.

3. Financial intermediation

56. Efforts should first and foremost focus on the implementation of the flagship domestic resource mobilization vehicles proposed by the African Development Bank and the African Union, namely:

(a) Africa50 Infrastructure Fund (African Development Bank), aimed at financing PIDA and other infrastructure projects;

- (b) African Credit Guarantee Facility, a guarantee and risk-sharing facility aimed at enhancing the creditworthiness of African bond issuers and other borrowers;
- (c) African Investment Bank and the African Infrastructure Development Facility;
- (d) African Integration Fund, aimed at implementing the Minimum Integration Programme, with a view to achieving the goal of a continental free trade area;
- (e) Fund for African Women, aimed at promoting the economic and social empowerment of women;

57. In addition, the following specific measures should be considered:

- (a) Developing a framework that will encourage strong public-private partnerships;
- (b) Scaling-up and capacity-building of regional development finance institutions, banking institutions and microfinance institutions;
- (c) Deepening and widening of capital markets, institutions and products (national and regional bond markets, national and regional stock exchanges, political risk insurance and other risk-reducing mechanisms);
- (d) Development of specialist financial service institutions and expertise (investment banking, project finance, private equity, venture capital, brokerage and investment management);
- (e) Promoting the development of financing schemes and banking programmes for small and medium-sized enterprises and youth and women entrepreneurship funds;
- (f) Development of industry-specific financial service expertise (oil, gas and minerals sector, public-private partnerships, infrastructure, innovation, agriculture, manufacturing and services);
- (g) Promotion of intra-Africa investment through conducive regional investment policies and investment agreements;
- (h) Efficient channelling and use of non-commercial funds through vehicles such as performance-oriented programmes and trust funds (such as the African Integration Fund, the trust fund supported by the African Union Commission and the regional economic communities and the Political Governance Support Trust Fund);
- (i) Enhancement of the project management, technical assistance and absorption capacities of the African Union Commission, the regional economic communities and the NEPAD Planning and Coordinating Agency by introducing core pillars, based on the model used by the European Union;
- (j) Maximization of the financial management, project management and absorption capacities of member States.

4. Access to finance

58. In order to facilitate access to finance, the following measures should be considered:

(a) Developing framework conditions for an enabling investment climate and environment for financial industry development, public-private partnerships and infrastructure, and finance, banking and microfinance for small and medium-sized enterprises;

(b) Establishing relevant project development funds, viability gap funds, capitalization funds and blending facilities to address demand-side readiness (bankability, investment readiness of firms and projects)

(c) Developing informational finance infrastructure, including country and corporate ratings, analysts, corporate governance standards, accounting standards, credit bureaux and collateral registries;

(d) Developing expertise and technical capacity in financial advisory services, financial structuring and financial negotiations, and addressing market failure in small and medium-sized enterprise finance (small and medium-sized enterprise life cycle funding, industry-specific funding);

(e) Introducing risk-sharing facilities.

59. Other enabling and complementary measures in support of the domestic resource mobilization agenda that should be considered include:

(a) Leveraging strategic partnerships;

(b) Leveraging official development assistance, South-South cooperation, concessional finance and commercial finance facilities;

(c) Taking advantage of the financing opportunities provided by the BRICS countries and other emerging countries;

(d) Enhancing access to international capital market at better terms.

E. Skills and technical capacity requirements for the implementation of Agenda 2063

60. From Africa's perspective, efficiently channelling financial resources into socioeconomic investment also supposes the availability of expertise and technical skills across the different segments of the financial market and the financial services industry. It is not just a question of having expertise in the areas of large-scale financing and financial advisory services; it is also about having a large pool of African professionals able to structure and implement efficient financing institutions for small and medium-sized enterprise and other programmes and solutions, and the ability of Africa's continental, regional and national bodies, including Governments, to effectively and efficiently apply for and manage grants, technical assistance and other concessional financial resources efficiently and transparently.

61. The African Financial Markets Initiative, a project of the African Development Bank, was launched in 2008 and is paramount to strengthening domestic resource mobilization efforts in the operational direction of private equity funds and bond markets. It is aimed at contributing to the

development and deepening of domestic financial markets in Africa, and, through that, contributing to domestic resource mobilization by increasing the availability of financing options. The Initiative is made up of the African Financial Markets Database and the African Domestic Bond Fund.

F. Roll-out and implementation of the financing and domestic resource mobilization strategy of Agenda 2063

62. Preliminary proposals for the roll-out and implementation of the strategy have been put forward. However, given the complexity of the situation and the diversity of the stakeholders involved, further consultations are required among all stakeholders, including the African Union Commission, the African Development Bank, the Economic Commission for Africa, the ministries of finance, financial private sector organizations, banks, microfinance institutions, insurance companies, development finance institutions, venture capital funds, private equity associations, monetary and stock exchange-related organizations and authorities, and other relevant parties.

G. Partnerships

63. The African Union has entered into a number of strategic partnerships to support its development process, including with the European Union (Africa–EU Partnership), with South America (Africa–South America Cooperation Forum), with China (Forum on China-Africa Cooperation), with Japan (Tokyo International Conference on African Development), with the United States of America, with the League of Arab States, with India (Africa–India Forum Summit), with Turkey (Africa–Turkey Cooperation Summit) and with the Republic of Korea (Korea–Africa Forum).

64. While the implementation of action plans agreed upon under these various partnerships has resulted in some benefits, there are shortcomings in the management of partnerships, especially high-potential ones. Challenges in the management of high-potential strategic partnerships include financial and technical capacity constraints. However, from the partners’ side, despite the apparently interesting offer in the outcomes documents, only two had deliverables that were articulated in “smart” terms, enabling both parties to monitor implementation. Consequently, going forward, there are a number of actions that need to be considered by the African Union in order to make the most of its strategic partnerships.

65. Three criteria can be used by the African Union to classify its strategic partnerships as high potential, medium potential or low potential. These are:

(a) Alignment to the current ten-year implementation plan of Agenda 2063;

(b) Size and scope of the financial offer and the potential transformational impact embedded in the outcome document or action plan in terms of technical assistance, trade and investment, industrialization and technology transfer, agriculture support programme and social investment;

(c) “Smart” nature of the deliverables.

66. Based on the above, the African Union has five high-potential strategic partners that require special attention given the potential transformational benefits they can deliver for Africa; three medium-potential partners and three to five partnerships with transformational benefits that are low or non-existent in their present forms.

67. To maximize Africa's capacity to exploit the full potential of its five major strategic partnerships, the Africa Union must:

- (a) Articulate a strategic partnership policy;
- (b) Establishment a strategic partnership fund with contributions from the member States of the African Union;
- (c) Provide enhanced strategic, governance, technical, logistical and financial support to the partnership management function of the African Union Commission;
- (d) Clarify the implementation model of Africa's various continental programmes (PIDA, CAADP, AIDA, AMV, BIAT and the African Agribusiness and Agro-industries Development Initiative [3ADI]), to facilitate results-oriented cooperation with its strategic partners;
- (e) Improve the involvement and coordination of Africa's various stakeholders in the partnership process, including the African Union Commission, other organs of the African Union, the NEPAD Planning and Coordinating Agency, the African Development Bank, the regional economic communities, the member States and civil society organizations.

68. There is a need to deepen the transformational benefits of all major strategic partnerships through alignment with the priorities of Agenda 2063, namely, industrialization and technology transfer, intra-African trade and export development, the development of the private sector and small and medium-sized enterprises, foreign direct investment, financial market development, sustainable social development and domestic resource mobilization.

69. This can be achieved by focusing on the main priorities and identifying where traction is (that is, economic transformation through industrialization: infrastructure; manufacturing; agro-industry; oil, gas and minerals sector; services through genuine technology transfer, namely private sector development reforms and integrated business forums through intra-African-trade, export development and development support for small and medium-sized enterprises; inclusive and sustainable growth; transparency in natural resources management; local content development; and beneficiation of mineral resources). This would ensure that the partnerships are focused on current and owned priorities and that they remain relevant.

H. Issues for discussion

70. Regarding the question of financing, the following issues need to be considered:

- (a) Which key stakeholders and institutions should be mobilized and involved in the implementation of the financing and domestic resource mobilization strategy of Agenda 2063? What should be the allocation of roles and responsibilities?
- (b) Which institutional arrangements should be put into place among the key stakeholders to facilitate implementation, supervision, monitoring and evaluation, and reporting?

(c) What is the roll-out and implementation plan of the financing and domestic resource mobilization strategy? What are the short, medium and long-term actions of the roll-out and implementation plan?

(d) What are the financial and human resource requirements? How can the financial requirements be met sustainably from various funding sources?

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