



Africa Capacity BULLETIN

ISSUE 10 JULY - AUGUST 2015

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From the Executive Secretary

Dear Friends,

Welcome to the tenth edition of Africa Capacity. The African Capacity Building Foundation (ACBF) believes in an African that is able to achieve its own development. In September, the Sustainable Development Goals (SDGs) are set to be adopted by Heads of States at the United Nations General Assembly (UNGA) in New York. The objective of the meeting is to adopt a set of 17 goals that aim to take forward the job that the Millennium Development Goals (MDGs) set in motion by intensifying action to empower the poorest and the hardest to reach. None of these goals will be achieved if Africa lacks the financial means to foster its development programs. It is therefore crucial for African countries to ensure enhanced capacity for Domestic Resource Mobilization (DRM) in order to achieve the SDGs.

Early findings from case studies being undertaken by the ACBF show that the level of tax collection in Africa increases significantly after the setting up of national revenue

authorities, which are tasked with professionalizing, expediting and improving efficiency in tax administration in the countries where they operate. Political support and people's buy-in of capacity development initiatives in DRM is crucial for successful fiscal reforms, which can lead to Africa being able to finance its own development. In this issue, we look at how ACBF is taking the necessary steps to support country and continental efforts on how best to mobilize domestic resources and how to address the constraints on DRM.

Regional integration has been a priority focus for ACBF and some of its regional interventions over the last 24 years. Despite a lot of measures taken to foster regional integration, many protocols signed to that effect still remain unimplemented, due to ineffective and inadequate implementation capacity. In some Regional Economic Communities (RECs) where capacity exists, it is neither optimally used nor sufficiently nurtured. African leaders need to partner with, and listen to, capacity building institutions, contribute financially to capacity building programs, projects and institutions to ensure ownership and sustainability, and support mobilization of financial support towards development of national capacity building strategies.

As with the issues before, the ACBF aims to inform you on capacity building initiatives and ways Africa can forge forward on economic growth and improved livelihoods in the continent. Enjoy your read.

RESULTS

COMESA holds Maiden Annual Research Forum

The first Annual Common Market for Eastern and Southern Africa (COMESA) Research Forum was held on 10-14 August 2015 at the Laico Lake Victoria Hotel in Entebbe, Uganda. The research forum was organized by the COMESA Secretariat under the African Capacity Building Foundations (ACBF)-funded project on Capacity building in Economic and Trade Policy Analysis and Research. The forum brought together policy makers, academia and the private sector from the COMESA Member States. A selected number of Universities (13) were represented in both the research forum and the discussion on the establishment of the COMESA Virtual University to run postgraduate programs in regional integration, based on the Directive of the 34th Council Meeting held in Addis Ababa, Ethiopia. In attendance were the Member States of Burundi, Comoros, Djibouti, DR Congo, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Seychelles, Swaziland, Rwanda, Sudan, Uganda, Zambia, and Zimbabwe.

A total of eight papers were presented at the forum and discussed in-depth to give a clear policy implication to guide the attainment of deeper regional integration within the configuration of COMESA. They covered areas as diverse as the effect of aid for trade facilitation on Kenya's exports to COMESA countries; the Impact of Kenya's Sugar Safeguard Measures on Sugar Producers under the COMESA Trade Regime; Financial Inclusion, ICT and Intra-Regional Trade in COMESA; Tracking informal cross border trade in Eastern and Southern Africa; Tuna fisheries within the West Indian Ocean: Is there a role for COMESA; Interdependence of Stock and Foreign Exchange Markets in COMESA; Proposal for transformational and inclusive growth program for COMESA Member States and Fiscal Policy for Domestic Resource Mobilization in the COMESA region.

This was concluded with a highlight of research thematic areas where the regional think tanks, universities and policy makers ought to give priority in investigating.

The establishment of a postgraduate virtual program in regional integration was agreed upon, which will commence with a Master's degree program among the Universities that were represented at the forum and those COMESA would consider through its selection criteria. This would be operationalized through a collaborative framework with one host University and other collaborating ones. The program will provide practical skills to students to support trade negotiations, as well as enhance the process of regional integration.

The participants appreciated the importance of the

research annual forum and emphasized the need to sustain it on an annual basis.

FEATURE

Capacity Building Key to Regional Integration

By Guest contributor Benedict Musengele, Senior Policy Analyst, COMESA Secretariat

Strengthening the capacities of developing countries in Sub-Saharan Africa (SSA) in regional trade integration is of crucial importance, both for the countries themselves and for their trade and development partners, especially in view of a number of international trade developments, which are not static.

There are a number of factors that explain the success and failure of countries' in utilizing regional and international trade initiatives as mechanisms to enhance economic growth and poverty reduction in SSA. These include among others, limited capacity on the part of human resource to mainstream obligations in national policies and limited financial resources to implement commitments made at regional or international level.

Therefore, extending capacity building initiatives for developing countries and regional coordination institutions is productive in terms of enhancing their ability to critically identify the country's or the region's specific trade interests, in the light of the overall development strategy; mainstream the regional commitments and translate their interests into the national policies and negotiating goals. However, this entails strengthening of human and institutional capacity in terms of providing financial support to Ministries of Trade and Industry, Finance and Planning and other related Ministries, Departments and Agencies responsible for implementing regional trade commitments and related issues.

Likewise, capacity building is necessary to the regional coordination bodies charged with coordinating the implementation of regional commitments by member countries. Building the technical capacity of personnel of these institutions enhances their strategic leadership in extending technical guidance to member countries especially in regard to policy analysis and strategic policy decision. For example, in the case of COMESA, there has been a lag in the implementation of the Free Trade Area (FTA) by some member states, which has led to subsequent delay in implementing the Customs Union and the Common Market. Member states have often requested for technical assistance from the Secretariat to help in developing instruments for the mainstreaming and fast tracking of implementation commitments.

However, providing technical guidance to the Member

States requires enhanced skills and financial resources to provide training or undertake empirical analysis to generate evidence-based policy guidance. However, this requires a specialized unit within the structure of the coordinating institutions. The specialized unit would deal exclusively with issues of technical support to member states in the mainstreaming and harmonization of regional commitments and reforms in the national policies, backstop member states in trade negotiations at bilateral or regional level by undertaking empirical analysis.

There is need to create regional forums where the RECs, Government ministries, Academia and the private sector could meet and deliberate on pertinent issues on regional integration. This could be in the form of annual research forums championed by the RECS. This will ensure the triple helix approach is enshrined in the regional integration agenda.

In the case of COMESA, the Customs Union was launched in 2009. Its Secretariat is expected to play the role of policy coordination and provide technical assistance. However, the Secretariat is short of capacity and technical staff to effectively discharge this mandate. This is in part attributable to:

Limited Capacity in Trade Policy and Applied Research: The Survey on Capacity Needs of Africa's Regional Economic Communities, commissioned by ACBF and finalized in 2008 found particularly that the Secretariat experienced serious capacity constraints to undertake applied policy research and planning that would help analyse the impact of emerging issues and to plan appropriate responses. The Survey, therefore, identified the need to establish central planning and research mechanisms for the effective preparation, implementation, coordination and monitoring of regional programs and projects. The Survey proposed that a Unit with an interdisciplinary outlook and manned by a pool of experts needed to be established. The Unit should serve as a policy think tank for COMESA.

Inadequate Evidence-Based Policy Making and Tracking Policy Impact: Moreover, quality and harmonized national accounts statistics are required to inform research and policy analysis needed for the implementation of regional integration programs. Currently, the Secretariat is yet to be equipped with methodological guidelines required for the collection of data such as standardized System of National Accounts. There is a need to develop these tools for policy analysis use in the Secretariat and in the region.

The Secretariat, however, received support from the Foundation. ACBF's support to establish a functional research team, a first of its kind to COMESA, is in full operation and is actively contributing to the empirical

analysis of trade policy and related issues and coordination of research information to feed into the deliberations of the committees, councils and other organs of COMESA.

The importance of the research unit was highly appreciated during the policy organs and COMESA summit meetings held in Addis Ababa Ethiopia in March 2015. The Council of ministers noted the importance of the research unit, which provides evidence based policy research. However, it was noted there was need for a sustainability plan to ensure that the unit is maintained once the grant funds have been exhausted into the framework of the restructuring of the COMESA Secretariat. There is a need for the research unit to work collaboratively with policy makers.

The research team in Collaboration with the Africa Institute for Economic Development and Planning (IDEP) organized and held training on trade policy analysis using E-views in Nairobi, Kenya from 3-7th November 2014. The IDEP provided the lead facilitators, prepared the training manual and training certificates. The training was very successful for the participants who were from the COMESA coordinating ministries and they appreciated the training. In fact, it was noted that the majority of the trade policy experts from the Member States were not well acquainted with the various trade policy analysis techniques and software. As a way forward they requested for the trainings to be offered continuously and on a regular basis. The partnership with IDEP, which is the leading African Training institute on policy analysis, made the training a great success.

In July 2015, the project in collaboration with the United Nations Economic Commission for Africa (UNECA) held training on trade policy analysis focusing on Computable General Equilibrium. There were 60 participants from the COMESA member countries, Secretariat and UNECA. The training equipped the participants with hands-on skills on running estimates such as the Revealed Comparative Advantage (RCA), export diversification and market concentration. Likewise, the CGE model estimation was applied on the Global Trade Analysis Project (GTAP), Tariff Analytical and Simulation Tool for Economists (TASTE) and the Micro Simulation. Participant were also introduced to the ex post analysis using the Gravity Model (Econometric model). The General Equilibrium Model application involved a synopsis of theoretical illustration, model construction, scenarios, analysis and interpretation of results and the implication to trade policy decisions of Member States both at the Free Trade Area, the Customs Union and Continental Free Trade Area level.

The successful studies undertaken by the project team were based on directives from the Summit in February 2014. These are "intra-COMESA trade potential" which revealed that COMESA has an intra-regional

trade potential of US\$ 96.7 billion. The second was on the “audit of the non-tariff barriers in COMESA and their impact on trade. The recommendations drawn from these studies were adopted by the Council of Ministers and have been published in the COMESA flagship publication “Key Issues in Regional Integration Volume III”. The team also helped in analyzing the sugar competitiveness in COMESA, which was a directive by the summit as the basis to determine Kenya’s request for Safe Guard Measures.

PARTNERSHIPS

Efforts in improving local governance in Africa benefits from ACBF’s interventions

The African Capacity Building Foundation has improved the effectiveness of local governance in Africa through its support to governance network International Centre for Training of Local Authorities (Centre International pour la Formation des Autorités Locales -CIFAL).

CIFAL, an initiative aimed at improving the effectiveness of local governance in African countries, has been instrumental in promoting knowledge sharing and skills development among local government officials in African Cities. African CIFAL centers - (CIFAL- Ouagadougou and CIFAL-Durban) were established in 2003 as part of a world network of training centres for local leaders and managers to improve decentralized and local governance.

To date, several CIFAL centres have been established around the world to encourage city-to-city cooperation. They have contributed to increase citizen’s knowledge in promoting and raising awareness on issues such as improved living environments, better municipal governance, gender equality, innovative practices in water and sanitation management and occupational safety amongst other.

Through CIFAL- Ouagadougou, ACBF strengthens the capacity of local actors in Francophone African countries to efficiently manage public service delivery and in Anglophone countries through CIFAL Durban. The Centres offer a series of regional, national and international training events on sustainable solutions to the challenges faced by local authorities.

For instance, with support from ACBF, CIFAL-Durban has successfully promoted knowledge-sharing and skills development among 432 local government officials from 234 Councils in 17 countries.

KNOWLEDGE & LEARNING

ACBF trains Grantees on procurement principles to improve grant management

Research has shown that up to 75% of public funds are used for the procurement of goods, works, and consultancy and non-consultancy services. It is generally agreed that good procurement systems and procedures are strategic components of proper budget use and effective expenditure management. Indeed good procurement practices play an important role in effective and successful project implementation. Governments and taxpayers want to see value for public funds spent on procurement of goods, works and services. Economy and efficiency therefore are the main objectives in public procurement at the national level.

It is for these reasons that ACBF found it critical to develop procurement capacity within the projects it funds and to ensure that ACBF-funded projects/institutions develop institutionalized procurement functions for effective use of Grant resources. In this regard, ACBF held week-long training in Harare, Zimbabwe for 65 national and regional organizations in Africa supported by ACBF grants.

The training was necessary to ensure that the best procurement practices were employed in the procurement management in conformity with agreements between ACBF and its grantees. The training program was also designed to encourage networking and sharing of practical procurement experiences and common challenges among grantees and to provide them with the tools to best address procurement-related challenges.

Mr. Peter Juma, Project Coordinator at the South Sudan Capacity Building Project (SSCAP), one of the participants at the training said the training was timely. “Not many people understand the details in procurement procedures. The training was an eye opener for me. It enabled me understand the ACBF procurement procedures and why we have to adhere to them. Following the set out criteria, we also save the organization money by ensuring what we do in within our budget.

For Nafi Chinery, Capacity Building Specialist at African Women Development Fund (AWDF) based in Ghana, the training enabled the participants be at per with the ACBF in terms of what the Foundation requires from the grantees. “This training will assist in ensuring that at AWDF we achieve economy, efficiency, transparency and accountability in our procurement functions.

“In Africa we are trying to ensure all processes are transparent to curb vices such as corruption. I am glad

to see that part of the basic principles all have to adhere to include transparency, accountability, professionalism, value for money, fairness and competitiveness.” Added Kennedy Bwalya, Programme Manager, Economic Policy Management Programme at the University of Zambia.

At the end of the program, the general agreement was that the procurement training improved the skills and knowledge of participants in the body of knowledge, basic procurement principles, procedures and trends in contracting in Public procurement. It allowed grantees to gain a better understanding of how to undertake procurement following ACBF prescribed procedures and requirements. Participants were also able to demonstrate an understanding of basic procurement principles – professionalism, transparency, value for money, accountability, fairness and competitiveness and their ability to implement these principles in their work.

OUR RESOURCES

Upcoming ACR 2015 to address capacity for Domestic Resource Mobilization

Domestic Resource Mobilization (DRM) is crucial to Africa’s efforts to raise the resources needed to effectively and sustainably finance its own development.

On the backdrop of diminishing donor aid, unpredictable foreign investments and lower export revenues, African countries must look for alternative and innovative ways of gathering DRM to implement Africa’s Post-2015 development agenda and African Union (AU) Agenda 2063. Such resources can be harnessed from private savings, remittances such as tax and local investment among others.

The ACBF is taking the necessary steps to support country and continental efforts on how best to raise domestic resources and how to address the constraints on DRM.

The 2015 Africa Capacity Report (ACR), the Foundation’s flagship publication, which will be launched later this year, focuses on the capacity imperatives on domestic resource mobilization and points out that mobilizing domestic resources in Africa is crucial for achieving continental and international development agendas.

In its preliminary findings, it states that African countries should not depend on donor aid alone as most donor countries have failed to live up to the longstanding commitment to deliver 0.7% of Gross National Income (GNI). DRM is also needed as aid-dependent countries tend to be more responsive to donor priorities than domestic ones. External financial flows can also be unpredictable.

On the other hand, Foreign Direct Investment (FDI) flows are more likely to respond to the profit motives of private firms with the remittances often used for immediate consumption and not long-term infrastructure investment.

ACR’s preliminary findings indicate that Africa has significant potential from untapped DRM as domestic tax revenues mobilized are increasing and remain larger than external financial flows. Additionally, illicit financial outflows (IFFs), if curbed, can retain significant resources for the continent.

However, despite encouraging achievements, African countries face various challenges to DRM, with capacity weakness being the most significant. The lack of proper capacity for countries prevents them from effectively mobilizing domestic resources.

The low institutional and human capacity required to scale up DRM translates into a narrow tax base for countries, high levels of capital flight; tax evasion and avoidance as well as proliferation of tax exemptions. Countries also lack the human, technical, legal and regulatory, and financial capacities to deal with IFFs. A poor business climate also hinders levels of taxable profits.

Notwithstanding these challenges, with the right strategies, it is possible to build Africa’s capacity to scale-up DRM provided the key stakeholders play their roles effectively. They must support the efforts of countries and regional and continental organizations in building requisite capacity for scaling up DRM. Political and financial support of African States and key partners and stakeholders to capacity development institutions is needed for the latter to succeed in their endeavors to develop and strengthen the capacity of African countries to better mobilize resources.



EVENTS

02-04 September

24th Annual Meetings of the ACBF

Board of Governors: Addis Ababa, Ethiopia

08 September

Global Child Forum on Southern Africa: Pretoria, South Africa

14-15 September

First Sub-regional Workshop on Curbing Illicit Financial Flows (IFFs) from Africa: Nairobi, Kenya

14-18 September

2015 Year of Evaluation Celebration and Evaluation Capacity Building Workshop: Harare, Zimbabwe

28 September

Annual Coordination Workshop for ACBF's Sub-Grantees on Tobacco Control: Harare, Zimbabwe

29 September

56th ACBF Executive Board Meeting: Virtual

05-11 October

2015 Annual Meetings of the World Bank Group and the International Monetary Fund

06 October

The Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) Executive Forum for Ministers of Finance and of Planning, Secretaries of Finance and of Planning and Central Bank Governors: Lima, Peru

06-08 October

First Economic Community of West Africa States (ECOWAS) Mining and Petroleum Forum on Valorizing West Africa's Mineral and Petroleum Resources through Regional Corporation: Accra, Ghana