

**Financing  
 the transition to inclusive  
 green economies in Africa**

**Financer la transition  
 vers des économies vertes  
 inclusives en Afrique**

# Bulletin 3

Click on the items below to go to the story / Cliquez ci-dessous pour accéder aux articles

LEAD STORY

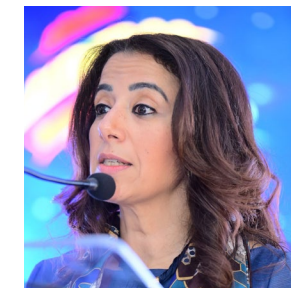
## President Mnangagwa: ‘We must think outside the box’ >



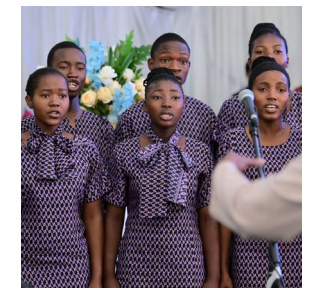
**Africa must address  
 G20 complacency >**



**Democratizing  
 information access >**



**Africa's realities  
 and ‘to do’ list >**



**“The School That  
 Thunders” >**



**Global system  
 reform will help  
 Africa >**



**IMF funding is a  
 catalyst for  
 climate finance >**



**AI comes with  
 risks but plenty of  
 opportunities >**



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Africa has the weighty responsibility of boldly and decisively tackling the challenges faced by its economies. “We cannot afford to bury our heads in the sand.”

# President Mnangagwa: ‘We must think outside the box’

**Z**imbabwe’s President Emmerson Mnangagwa, opening the Ministerial Session of the ECA’s 56th Conference of African Ministers of Finance, Planning and Economic Development in Victoria Falls, said, “We must look within and among ourselves for solutions.”

“We cannot afford to bury our heads in the sand,” the President told delegates. “I, therefore, challenge you to pursue robust and innovative measures to unlock

maximum benefits from our natural resources, which essentially starts with the sharing of ideas through deeper collaborations.”

Turning to the theme of the conference – Financing the transition to inclusive green economies in Africa: Imperatives, opportunities, and policy options – the president exhorted Africa to build climate resilient infrastructure to drive green industrialization that is inclusive and sustainable and eradicates poverty while creating jobs.



**No matter what difficulties may come our way, we must focus on a people-centred development philosophy that leaves no one and no place behind**

## **Risk**

To this end, he said, climate financing instruments must be leveraged to reap maximum benefits from Africa’s vast natural resources. Finance and economic planning ministers should come up with alternative resource mobilization initiatives that transform economies in line with technological developments to meet climate goals.

“We must think outside the box and trust in our home-grown initiatives,” he said. “This should be complemented by mainstreaming the principle of green economy in policy reforms, regulatory changes and strategic investments.”

However, the President cautioned the ministers to be mindful of the need to take account of the uncertainties and risks associated with future economic growth as they try to replace the conventional economic model with a green economy.

He regretted that global greenhouse gas emissions continue to rise as climate change wreaks havoc on nations that are least responsible for the emissions.

President Mnangagwa called on “the Global North to bear their burden and face up to their responsibilities by honouring their commitments”.

## **Mobilizing resources**

While the climate change challenges faced by the continent are immense, they are surmountable. Africa should leverage its vast forest resources to garner more finances for sustainable development, in particular by leveraging growing carbon markets.

“Let us collaborate to mobilize resources for financing our transition towards inclusive green economies,” the President said.

He pointed out that while governments have the mandate to deal with emerging challenges, businesses have the experience, technology and drive to deliver on the solutions Africa needs.

Programmes in this regard must be scaled up.

“No matter what difficulties may come our way, we must focus on a people-centred development philosophy that leaves no one and no place behind, one that builds synergies among nations and promotes balanced development across the continent,” the President said.

“Together with unity of purpose, we can indeed build the ‘Africa we want’, brick upon brick, stone upon stone, and step by step.”



## “The School That Thunders”

Music teacher Ruth Mpofu has been training musical talents at Mosi-oa-Tunya High School in Victoria Falls to perform in front of Zimbabwean heads of state since 1998.

We caught up with Mpofu shortly after she led her students in a stirring rendition of the national anthem in Ndebele, Shona and English in front of President Emmerson Mnangagwa at the opening session of CoM2024.

Mpofu admitted that although all of the young musicians, aged between 14 and 18, were thrilled to be performing in front of the president, some of the younger ones were slightly nervous at the prospect of it.

She talked them through what to do when the nerves hit. “I encourage them, and I tell them there is nothing new, it’s just the singing like they’ve been singing at school, only that they’re now doing it in front of guests.”

In the past 26 years, Mpofu has seen several students pass through her choir and go on to graduate. As she counts down to her own retirement, she has already started to train her successor.

Regardless of who forms the choir, Mpofu affirms that Mosi-oa-Tunya will “make sure that we maintain our standards”.

“We will remain the school that thunders,” she quipped.

## Global system reform will help Africa

Shrinking fiscal space presents the single biggest issue affecting African finance ministers’ ability to meet development obligations, says the Executive Secretary of the Economic Commission for Africa, Claver Gatete.

Speaking at the official opening of the Ministerial Segment of the 56th Session of the ECA Conference of African Ministers of Finance, Planning and Economic Development, Gatete said with 2.7% growth in 2023, and a projection of 2.4% in 2024, inflation at nearly 20% and 21 countries at risk of, or already in, debt distress, the future seems bleak.

But all was not lost, he said, proposing a cocktail of solutions to help the continent navigate the restricted fiscal space.

“First, the global financial architecture needs to be fixed. It must work for everyone and reflect the new dynamics. In this regard, we welcome the membership of the African Union in the G20. But we need to go further!

“Second, we must address the issue of unfair risk perceptions

and credit ratings that offer Africa limited borrowing options. We should not accept that only two African countries have investment grade rating, and 22 countries are unrated.”

He also urged more proactive domestic resource mobilization, reform of tax systems, investment in capital market development, and establishment of a productive green finance system in Africa with “the potential to generate \$3 trillion by 2030”.

Earlier, African Union Commission Deputy Chairperson, Monique Nsanzabaganwa, called for Africa’s voice to be amplified on the global stage.

“We must also enhance the participation of ministers of finance, planning and economic development in the AU’s governance structures and implementing agencies,” she added.



First, the global financial architecture needs to be fixed. It must work for everyone and reflect the new dynamics

Among other priorities, she said there was need to capacitate structures that advanced the development agenda. These include the African Central Bank, the African Monetary Fund, the African Investment Bank and the African Stock Exchange.

Ambassador Rebecca Otengo, the Outgoing Chairperson of the Ministerial Bureau, highlighted the importance of “structural reforms to revive growth, enhance resilience, and optimise fiscal monetary policies”.

The official opening session started with Mr Richard Moyo, who is the Minister of Provincial Affairs and Devolution of the host province of Matabeleland North, welcoming delegates to the tourist city of Victoria Falls.



## IMF funding is a catalyst for climate finance

African governments are facing a raft of priorities they need to tackle even as the fiscal space continues to shrink and the needs increase in the wake of climate initiatives and African Continental Free Trade Area imperatives.

**E**CA Executive Secretary Claver Gatete said African countries are in a vicious cycle of spending and revenue mobilisation efforts. “We need to examine all options, but we need to move quickly,” he said. At one time 80% of debt was concessional but this is no longer the case, and countries are now forced to find more costly sources of finance and dip into their reserves, he said.

Hanan Morsy, Deputy Executive Secretary of the ECA, reminded delegates that the Report of the Independent High-Level Expert Group on Climate Finance found that emerging markets and developing countries (excluding China) require \$1 trillion a year by 2024 (4.1% of GDP) and \$2.4 trillion a year by 2030 (6.5% of GDP).

The unique challenges, extent of the need and characteristics of the required financing brings significant challenges for the IMF, she said.

The IMF has stepped up with its Resilience and Sustainability Facility (RSF), established in October 2022, which helps low-income and vulnerable middle-income countries to build resilience to external shocks and ensure sustainable growth.

Morsy said the number of

countries that would likely seek RSF programmes, combined with the specificity of the climate and energy issues involved in each, would stretch the IMF’s institutional capacity as never before.

IMF support requires doing more with less, Morsy said. One suggestion was to bring green debt swaps to scale with the RSF functioning as a policy instrument. Another was to provide credit enhancements.

The RSF could be mobilized to boost accountability and transparency for higher private financing.

### This could be enhanced by measures including:

- Establishing a national reporting system highlighting key climate performance indicators.
- Establishing a credible and transparent audit process to monitor the use of proceeds raised through ESG financing instruments.
- Publishing a list of eligible projects.
- Developing a green financing framework aligned with the ICMA framework.



**BULLETIN 3**  
#CoM204

## Africa must address G20 complacency

Countries in the G20 lack a sense of urgency about the plight of African countries and their battle to deal with high debt levels and the need for reforms to unlock financing, says Rebeca Grynspan, Secretary General of the UN Conference on Trade and Development (UNCTAD).

“I didn’t feel a sense of urgency in G20 about Africa’s situation. We feel it in a forum like this. But when we look at the situation, trade is not dynamic, nor is investment or growth.”

Debt is really a burden and now the cost of finance is increasing, she said. Africa needs to push its agenda, but reaching a common voice on these issues will require coordination between countries.

Creating a sense of urgency about Africa’s challenges “won’t happen by an invisible hand”. “There is a need to do things differently.”

“An estimated 3.3 billion people live in countries that are spending more on debt servicing than on education and health. This makes spending choices painful.”

She believes the complacency about Africa in developed countries is because their own situation is more stable and prosperous.

“We need to make sure they are looking at the numbers that reflect the reality of Africa, not the aggregated statistics and averages that mask that reality.”

We need to examine all options, but we need to move quickly

# AI comes with risks but plenty of opportunities

Advances in artificial intelligence present tremendous opportunities that will reshape the lives of people around the world, including in Africa, even though the technology presents certain risks.

This is the view of James Manyika, Senior Vice-President for Research, Technology and Society at Google delivering the 2024 Adebayo Adedeji Memorial Lecture at CoM2024.

Manyika, who is also the co-chair of the UN High Level Advisory Body on Artificial Intelligence, said AI would have the most impact in “assisting people, powering the economy and expanding prosperity, accelerating scientific breakthroughs and helping to address societal challenges, enabling development”.

He noted, however, that these gains would not accrue automatically and would require investment, innovation, diffusion and an enabling policy agenda.

Already, Manyika said, AI is helping to improve lives through

advances in scientific research and discovery.

Among other uses, these developments are helping professionals to fund cures for diseases faster, discovering minerals that can power next-generation technology and enabling faster predictions of natural disasters.

Some African nations have already deployed AI capabilities to improve lives. “In Kenya, AI models are being trialled that make ultrasounds more accessible to lightly trained ultrasound operators in under-resourced settings.

“In South Africa, AI-powered screenings are helping to catch tuberculosis early, reducing its spread,” he noted.

Despite these advantages, Manyika said there are potential drawbacks and complexities, including concerns about the

impact it will have on jobs.

While most research indicates that more jobs, including new types of employment, could be created by AI, Manyika said its benefits could be diminished if it led to job losses and affected workers were unable to find new jobs due to their lack of relevant skills.

“Tackling these issues of workforce readiness, skilling and supporting worker transitions will be critical,” he emphasised, adding that Google is involved in initiatives to provide certified training programmes for thousands of Africans.

This, he said, will be especially critical for Africa, given the size of its young population who will have to contend with AI-related shifts over the course of their working lives.

In South Africa, AI-powered screenings are helping to catch tuberculosis early, reducing its spread

## FINANCE A private-sector perspective



The continent needs to explore private investment more deeply, both through access to the international market, as well as intra-African investment opportunities.

This was according to Dr Hubert Danso, the chairman of Africa Investor, speaking at a session on Public-Private Partnerships for Green Financing.

Danso called for Africa to expand its current model for raising money. “How can we create a Team Africa that brings together institutional investors that can take long-term risk?”

Such funds could be used to expand the availability of project development finance, he said.

While he lauded the commitment to building trust among the development community, Danso argued that a “philosophical struggle” exists between the roles of the private sector and the development community.

“We’re allowing ourselves to be perceived as a development project as opposed to a world-class investment destination,” he said.

Instead, he urged countries to consider the viability of untapped sources of finance such as pension funds within the continent, and to focus on developing an investible, banking project pipeline.

He said the continent would not be able to build the required financing scale in terms of climate finance until the public and private sectors changed their attitudes to each other.

L'Afrique est-elle bien placée pour tirer pleinement parti des possibilités offertes par l'émergence des modèles d'intelligence artificielle tout en atténuant les risques ?

## L'IA pour les Africains, par les Africains

Les intervenants étaient partagés dans leur réponse à cette question lors de la session intitulée "Favoriser la prospérité grâce à des politiques sur l'intelligence artificielle en Afrique".

Si certains ont loué les avantages potentiels de l'IA pour le 1,2 milliard d'habitants du continent, d'autres se sont montrés plus prudents quant au fossé entre ces aspirations et les politiques et systèmes d'infrastructure existants du continent.

Les panélistes ont réfléchi au potentiel positif de l'IA pour stimuler les économies africaines, notamment en renforçant la fourniture de services publics et la mobilisation des ressources, et en permettant une prestation de soins de santé plus efficace.

Dans le même temps, ils ont exprimé leur inquiétude quant à la manière dont l'IA peut détourner un pays de ses objectifs économiques fondamentaux, appelant à la participation des parties prenantes africaines aux forums mondiaux sur l'IA afin de s'assurer que les préoccupations de l'Afrique sont représentées de manière adéquate.

L'un des principaux défis identifiés est le manque de données provenant d'Afrique. De nombreuses études ont montré que l'exclusion des minorités dans les données d'entraînement des modèles d'IA perpétue la discrimination à l'égard de ces groupes.

Si l'on n'y remédie pas, le manque de données pourrait sérieusement limiter la capacité de l'IA à susciter des changements positifs pour les Africains.

**Les modèles d'IA que nous utilisons en Afrique et qui proviennent de pays étrangers ne sont pas nécessairement adaptés au contexte africain.**

"Les modèles d'IA que nous utilisons en Afrique et qui proviennent de pays étrangers ne sont pas nécessairement adaptés au contexte africain et nous ne sommes pas en mesure de les utiliser aussi efficacement que nous le pourrions dans les pays africains", a considéré Sandra Makumbirofa, chercheuse économiste principale à ICT Africa.

Baratang Miya, PDG de Girlhope partage ce point de vue et établit un lien direct entre la précision et la capacité des modèles d'IA et l'inclusion des groupes marginalisés dans leur développement.

Cette exclusion va au-delà du développement des technologies et s'étend à l'élaboration de politiques clés régissant leur application et leur utilisation.

En matière d'IA, comme pour d'autres technologies, les gouvernements doivent trouver un équilibre entre la création d'un espace pour l'innovation et la réglementation des entreprises. Mais la considération de l'humanité doit être au cœur de cette démarche.



## Democratizing information access

The ECA is building spaces for knowledge exchange that go beyond the traditional library format, says Irene Onyancha, Chief of Knowledge Management Services Section at the ECA's Publications, Conference & Knowledge Management Division.

An example is its stand on the sidelines of CoM2024, where it showcased its offerings alongside the Zimbabwe Investment Development Agency, Zimtrade and the Victoria Falls Stock Exchange.

"We realized we needed to go where we can really reach the people," she said.

The fair, co-organized with the government of Zimbabwe, demonstrates the role that ECA plays with its partners in implementing the 2030 Agenda and Agenda 2063.

The knowledge fair has provided an opportunity for delegates at the conference to not only learn about ECA focus areas and research, but also to share knowledge about investing in Zimbabwe.

"We've had instances of peer-to-peer learning. For example, there were delegates from Zimbabwe and Rwanda who had a discussion on their countries' initiatives based on the knowledge showcased at the fair," Onyancha explained.

The organization, on a full-time basis, provides information to member states to help inform their work and also to engage them on issues.

The knowledge fairs are a regular feature at big ECA events, says Onyancha, with the stands reflecting the different conference themes.

**We realized we needed to go where we can really reach the people**



# DELEGATES AT WORK



# Africa's realities and 'to do' list

ECA Deputy Executive Secretary and Chief Economist Hanan Morsy breaks down some of Africa's current realities in her speech at the Ministerial Segment of CoM2024.



- Countries spend more on debt servicing than on climate action, for example, and many spend more on servicing debts than they do on health.
- Tax receipts as a percentage of GDP are still lowest in the world at 16% compared to 21% in Latin America; and 19% of GDP in Asia
- Illicit financial flows through transfer pricing and tax evasion and avoidance are costing Africa \$88.6bn annually, representing 1/3 of the annual funding gap needed to reach SDG targets.
- The private sector accounts for a meagre 14% of climate related investments. This compares to 50% for Asia, and 96% for the USA.
- Africa accounts for 0.2% of total issuance of Green Bonds, a truly insignificant amount.

### Regional interventions

- The African Continental Free Trade Area and everything it has to offer;
- Building carbon markets, which means policy harmonisation and improving the integrity of our carbon markets;
- Clean energy. Regions need to foster greater regional power pools and connectivity;
- Building regional value chains to boost productivity and industrialization;
- Building regional frameworks around climate issues.

### Global interventions

- Accelerate the reform of the global financial architecture;
- Build affordable finance at scale and involve multilateral development banks in the process;
- Reform the debt architecture and completely restructure the G20 Framework to include middle income countries;
- Push for greater Africa representation and a stronger voice within international financial institutions.

### Key issues for discussion

- What measures are countries putting in place to create the fiscal space for climate action?
- What is being done to promote private sector investment?
- What technical support do governments need to crowd in private sector?
- What are lessons learned from carbon markets?
- How can countries integrate natural capital to drive economic growth beyond GDP?

# HOST PROFILE

## Zimbabwe pins hopes on trade strategy

“Over the years, our trade policy has largely been inward-looking in an attempt to safeguard local industry from unfair import competition,” says Zimbabwe’s President Emmerson Mnangagwa in the preface to the country’s National Trade Policy Vision and Export Promotion Strategy.

But more recently, it is strategically opening up for business to promote mutual trade and investment. “There is need to balance our policy intervention measures with the tenets of, and our commitments to, the regional trade integration agenda and the multilateral trading system that we are party to.”

This position is a driver of a new focus on increasing trade in exports of value-added goods and services.

A key component of this value-addition drive has been to attract foreign investment in agriculture, consumer goods, construction, energy, franchising, health, ICT, mining, services, tourism and water infrastructure, among other sectors.

Though the population of 16 million may appear to be a relatively small market in global trade, the country has a huge appetite for imports.

According to ZimTrade, the country’s official trade agency, imports increased to \$9,2bn in 2023 from \$8,6bn in 2022.

Petro-fuels and petroleum products, electricity, industrial and agricultural machinery, pharmaceuticals, transport equipment, food and manufactured goods were the principal imports.

The major import sources in recent years have been China, India, Japan, Mozambique, Russia, South Africa, the UAE and the UK.

Principal exports are gold, tobacco, metal alloys and sugar, which offer immense investment opportunities.

## TOP 6 EXPORT DESTINATIONS (2023)

