CoM 2024
ECA Conference of Ministers
CEA Conférence des ministres

Financing the transition to inclusive green economies in Africa

Financer la transition vers des économies vertes inclusives en Afrique

United Nations
Economic Commission for Africa

The Republic of Zimbabwe

ideas for a prosperous Africa

Bulletin 2

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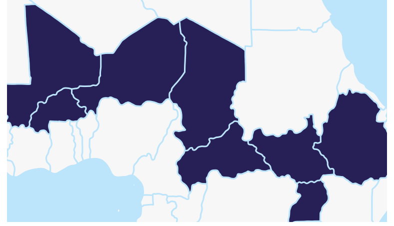
Regional focus is key



Challenges remain for landlocked countries

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African countries must leverage political and institutional relationships, economic structures and technical experts to give the continental position the heft it needs for tough negotiations in New York on the reform of the global tax system.

Africa’s coordination on tax reform critical for success

A high-level panel at the weekend event, Promotion of inclusive and effective international tax cooperation at the United Nations, heard from experts from the African Union, national tax authorities, and civil society on the tough battle the continent is fighting for a fairer and more inclusive system.

There were calls for negotiators at the Framework Convention on International Tax Cooperation meetings at the UN to take advantage of all structures at their disposal including the AU, the ECA, the G77 currently chaired by Uganda, and the Africa Group based at the UN to push their mandate.

The redrafting of the international tax system is a once-in-a-lifetime opportunity for Africa to tackle a system that has enabled tax avoidance and evasion and illicit financial flows as well as other leakages in the tax system, mostly attributed to the activities of multinational companies.

Hanan Morsy, ECA Deputy Executive Secretary, said the estimated $88bn loss to Africa from illicit financial flows annually was more than twice the amount Africa received in official direct assistance.

Several panellists stressed that in order to strengthen Africa’s case, its proposed resolution should not only focus on this continent’s needs but address the broader principle of fairness and inclusivity.

This would help Africa to get support from other regions to strengthen it against powerful developed countries, many of which have crafted the current system to suit their own interests and are home to multinational companies invested in Africa.

Daniel Nuer, Head of Tax Policy Unit, Ministry of Finance, Ghana, and Member of the ad hoc drafting committee for the UN Framework, said it has become clear there are some entrenched positions at the negotiations.

To counter this, it was important for Africa to seek support from other regions in driving forward its proposition.

Djamel Ghirib, Economic Development, Integration and Trade Director at the African Union Commission, said that in November, Africa’s draft had been well accepted by participants but as time went on, its voice had been diluted through amendments, highlighting a pushback by the North.

Africa’s position has been weakened by a lack of political

support from many member states, and a lack of capacity and institutions to build a compelling continental position.

Ghirib said the African ambassadors in New York needed to be supported by a strong technical team to address the complex issues in negotiations.

Mary Baine, Deputy Executive Secretary of the 42-member African Tax Administration Forum, stressed the need for more political support to reach a common position on the issues.

Out of 27 countries represented in negotiations, only four were really active while the US and other countries had large delegations.

“The tax negotiations are very complex and we must be ready for that. We are already going into a process where war has been declared.”

Emerging issues for tax authorities include e-commerce, online advertising, and the use of crypto currencies for payments.

The tax negotiations are very complex and we must be ready for that. We are already going into a process where war has been declared.

What needs to be done

- Adopt a holistic stakeholder approach
- Ensure greater co-ordination to reach a common position
- Focus on getting the support of the Global South and others
- Bring the right technical expertise to the negotiating table
- Develop national capacity to engage on tax issues
- Improve Africa’s ICT capacity to engage with the global digital economy
- Seek ways to improve voluntary payment of taxes by MNCs and others

Call to mobilise African capital for climate action

Africa needs to explore domestic options to boost financing for climate action, including leveraging African capital to build confidence in local markets.

This is one ways that Africa can take full advantage of its resources to bridge the financing gap, panellists said at a side session on sustainable green financing mechanisms for Africa at the weekend.

With only about $300bn of the $3 trillion required to meet the continent's ambitious climate goals available to it, new courses of action are urgently required to provide the financial fillip that the continent needs.

Veronica Jakarasi, chief director of the Climate and Meteorological Service, Zimbabwe, said quality policy and regulatory frameworks as well as setting clear targets were critical to attracting green finance.

She pointed out that African countries have already been compelled to take action on climate change, citing Malawi, Zambia and Zimbabwe's response to the El Nino-induced droughts.

"So we need to capacitate the ministries of finance so they can take the resources that have been channelled to adaptation and mitigation and leverage international financing to support sustainable and low carbon development projects."

Nqobizitha Dube, Climate Finance Manager at the Infrastructure Development Bank of Zimbabwe, charged banks to get involved in climate actions, by demonstrating the business case for climate investment and also by devising innovative derisking mechanisms.

Within Africa, green bonds and localised carbon markets could see the continent take control of its climate effort, he added.

The ECA has set up the SDG-7 Initiative to help African countries to devise bankable projects that can attract financing.

According to Linus Mofor, Senior Environmental Affairs Officer at the ECA's Climate Policy Centre, the initiative has 3 pillars - sustainability, governance and finance.

Through its Africa Climate Resilient Investment Facility, the ECA is also supporting investments to make them climate resilient. More African capital, however, would need to be mobilised to support climate actions.

"When we invest our own pension and sovereign wealth funds in, say, US treasury bonds, we are sending a signal that we don't have confidence in our own economies so how can we ask them to come and invest?"

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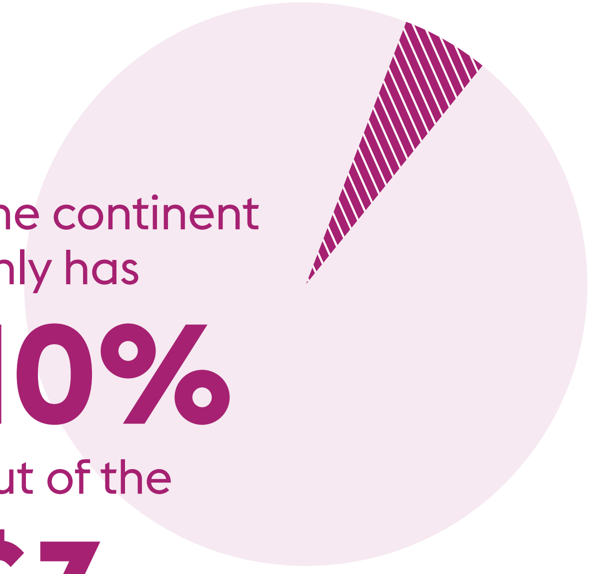


The continent only has
10%
out of the
$3 trillion
needed to meet its climate goals

Regional focus is key

Africa cannot expect solutions to its challenges from outside the continent, ECA Executive Secretary Claver Gatete told delegates at the Committee of Experts meeting in Victoria Falls.

Speaking after his arrival in the resort city on Friday, he said, "The solutions need to be within us. This is a discussion that we need to do differently.

He also urged the country representatives to think differently about issues, whether they be about energy, food security or trade.

"We cannot do everything country by country. We need to think about issues regionally."

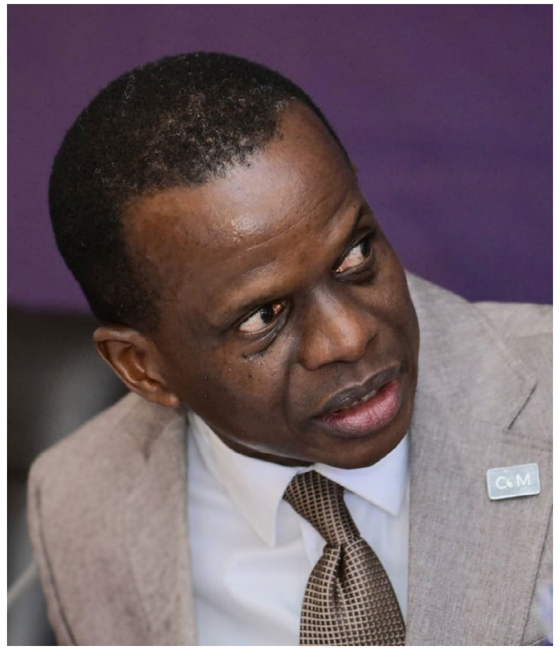
He said the continent is now focusing in one direction on the FTA on issues such as infrastructure - road rail, water, energy and others. But this requires not just a national focus but a regional one too.

He also urged countries to prioritise their efforts and focus on a few things that are measurable and can have an impact, rather than just touching on many issues at once.

Strategy was also important he said, citing the example of how a few decisions at heads of state level in the East African Community cut transport times from Rwanda to Mombasa from 21 days to four.

Govts analyse risk management strategies

Mitigating risk is central to enabling private investment into green energy projects on the African continent, according to speakers at the panel on Enabling investment in clean energy resources in Africa to transform the continent achieve global climate ambitions.



The panel, moderated by ECA Deputy Executive Secretary Antonio Pedro, convened experts from the public and private sectors to explore learnings, challenges and opportunities related to green investments on the continent.

Adalgisa Barbosa Vaz, Cape Verde's Deputy Minister for Business Development, shared relevant insights from her country's experience in negotiating a $150m debt-for-nature swap with Portugal.

The agreement will see Portugal exchange the debt it is owed by Cape Verde for investment into the archipelago's environmental and climate fund.

Vaz noted that the process relied on strong collaboration between the two governments, enabling them to structure the agreement in three years. She also credited the private sector and NGOs in enabling the deal.

But does Cape Verde's example have applicability in other parts of the continent? And what lessons can other African countries learn from this?

The panel chair turned to representatives from the government of Zimbabwe, which, in March, announced an agreement with independent power producers (IPPs) for the provision of renewable energy.

The agreement builds on a project announced December 2022 between Zimbabwe and Skypower for a 500MW power generation plant.

However, it also follows challenges with the previous agreement with IPPs, which had led to a $22m damages claim against the Zimbabwe Power Company.

Pedro asked what was different this time around. Zimbabwe Finance and Investment Promotion Permanent Secretary Andrew Bvumbe noted that the state had developed a template to address issues arising from public-private partnerships.

This included identifying proof of land ownership and reviewing term sheets for debt-funded projects. They had also engaged the Africa Legal Support Facility (ALSF) in the process of understanding the project bankability.

ALSF CEO Oliver Pognon underscored the need for robust legal agreements to offset the change and instability that leads to poor risk assessments. "A sustainable, equitable and transparent agreement shields both parties."

A sustainable, equitable and transparent agreement shields both parties.

IN CONVERSATION

Burkina Faso

Le Burkina Faso reste optimiste quant aux opportunités de collaboration avec les partenaires régionaux et internationaux, malgré les tensions géopolitiques entre le gouvernement militaire et les organismes régionaux.

Saidou Mahoumoudou Soro, directeur général de l'économie verte et du changement climatique au ministère de l'environnement, de l'eau et de l'assainissement du Burkina Faso, a exprimé son enthousiasme pour le Sommet de la Conférence des ministres de la CEA en tant que plateforme pour trouver et renouveler des collaborations.

"Je suis impatient d'échanger avec d'autres partenaires et d'obtenir des financements et des ressources pour relever les principaux défis du Burkina Faso", a-t-il déclaré.

Les questions clés qui motivent M. Soro comprennent la nécessité d'augmenter les sources d'énergie renouvelables, de lutter contre la pollution et de renforcer l'approvisionnement en eau pour la consommation et la productivité agricole, ainsi que d'accroître la production alimentaire. "La transition verte est la solution à ces problèmes", a-t-il souligné.

Alors que le Burkina Faso continue de négocier entre son gouvernement militaire et la Communauté économique des États de l'Afrique de l'Ouest (CEDEAO), M. Soro a souligné que son pays continuait de donner la priorité aux partenariats avec les institutions régionales et internationales.

"Notre objectif est de travailler avec nos partenaires afin de mettre en œuvre notre vision commune", a-t-il déclaré.

DELEGATES
AT WORK

Challenges remain for landlocked countries

While African landlocked countries (LLDCs) have recorded progress in areas such as education, healthcare and per capita income, they still experience unique vulnerabilities that require targeted action.

Introducing the report on the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024, director of ECA's Regional Integration and Trade Division, Stephen Karingi, highlighted some key areas of concern.

He said progress in the above areas is positive, "but that has not been enough through the investments under the Vienna programme for them to graduate from being least developed countries," noted Karingi.

The ECA director said key indicators, such as the Human Assets Index, a composite index of health and education, and low export volumes, highlighted the need for improvement.

"There is still much that needs to be done and they are still vulnerable in terms of the economics," he said.

The lack of progress can largely be attributed to the crises of the last decade, including the COVID-19 pandemic and the rise of terrorism in certain landlocked countries.

Yet, despite these challenges, African LLDCs also showed resilience and they appeared to perform better in the wake of the pandemic than their non-African counterparts and the continent as a whole.

Still, transport linkages and energy access remain crucial missing pieces of the puzzle. For example, LLDCs have a lower density of paved roads on average, and some lack substantive rail networks.

Hanan Morsy, ECA Deputy Executive Secretary, underscored the need for stronger energy integration, calling on landlocked countries to "invest more on energy pools and energy integration so that we can advance more in these areas".

The African Continental Free Trade Area and the implementation of the open skies policy could also help to address LLDCs' unique challenges.

But delegates pointed out that there needs to be adherence to agreements on cross-border transit procedures to ensure they benefit landlocked countries.

SOURCES OF GDP FOR LLDCs

44% SERVICES

26% INDUSTRY

21% AGRICULTURE

In 2022, the services sector contributed 44% of the GDP of Africa LLDCs, followed by industry at 26% and agriculture at 21%, suggesting that the economies of African LLDCs are slightly more reliant on agriculture than other African countries.

Although Botswana, Niger, Rwanda and Zambia made progress in export diversification, overall export diversity decreased among Africa LLDCs between 2014 – 2022

IN CONVERSATION

Ropafadzo Shoko

We spoke to Ropafadzo Shoko, legal and incubation lead at the Elevate Trust in Zimbabwe on her plans for Africa's youth.

Ropafadzo Shoko, one of the younger participants at CoM2024 is determined to ensure that young people have a say in the green transition, given that they comprise more than half of the region's population.

In her role at the Elevate Trust, Shoko supports young entrepreneurs to develop and grow their businesses. Her organization also runs an initiative to sensitize students from primary school upwards on climate issues.

Working with students, she has seen firsthand the power of capacity building to change the trajectories of peoples' lives.

She insists succession planning for Africa's future is imperative, getting young people to benefit from the experience of those ahead of them before they are required to step up.

"We need to harness the innovative knowledge of young people to create solutions. This will help us to find cheaper effective ways to realise the green transition."

She say this must be an inclusive process. "How do we ensure that rural women are included [in the conversation]? How do you include the very youngest demographic?"

Young entrepreneurs should be part of the conversation from the outset, "not an afterthought".

Les liens entre les Nations unies et l'Union africaine restent solides

Les Nations unies continuent de soutenir activement l'Union africaine dans la promotion de la croissance et du développement du continent.

Les objectifs généraux de la coopération entre l'ONU et l'UA sont de contribuer à la réalisation de l'Agenda 2063 de l'UA et des objectifs de développement social et de permettre à l'Afrique de faire entendre sa voix au niveau mondial.

Dans son rapport à la session plénière de la CoM 2024, Said Adejumobi, directeur de la division de la planification stratégique, du contrôle et des résultats, au sein des Nations unies, a rappelé que l'ONU avait travaillé en étroite collaboration avec l'UA sur la formulation de son deuxième plan décennal de mise en œuvre.

Les deux organes ont également coopéré sur un système africain de notation et de surveillance du crédit pour aider les pays à améliorer leur notation. Ils ont également collaboré au développement du système de données et de statistiques africaines des Nations unies et du centre de gestion des connaissances africaines afin de mettre des informations précises à la disposition des planificateurs.

Ils travaillent également ensemble pour lutter contre les flux financiers illicites et sur la transformation numérique et la coopération fiscale.

Said Adejumobi a expliqué que les aspirations communes des deux organes sont centrées sur ce qu'il a décrit comme les sept objectifs que l'Afrique doit atteindre d'ici à 2034.

L'un d'eux est que chaque membre de l'UA atteigne le statut de pays à revenu moyen. Un autre objectif est que l'Afrique soit plus intégrée et mieux connectée numériquement et physiquement.

La démocratie est essentielle. « Nous voulons une Afrique dans laquelle les institutions publiques sont plus réactives, plus résilientes et relativement autonomes pour pouvoir stimuler le développement ».

Le plan d'action prévoit également une Afrique pacifique et capable de résoudre les différends à l'amiable. Elle aspire également à une Afrique guidée par ses valeurs et par son peuple, plutôt que par l'État.

Said Adejumobi considère que lorsque les citoyens sont plus autonomes, ils sont plus productifs. D'ici à 2034, l'Afrique doit également être en mesure de forger des partenariats qui favorisent le développement et la transformation. "Nous voulons une Afrique forte, résiliente et un acteur mondial influent. L'adhésion de l'UA au G20 est un pas de plus vers cet objectif", a-t-il déclaré.

IN CONVERSATION

South Sudan

We asked Augustine Kenyi, Director of External Trade at South Sudan's Ministry of Trade & Industry, how ECA membership has benefited his country.

Trade growth

South Sudan has benefited a lot from membership of the East African Community. This has opened doors to tariff-free trade with the region and removed barriers to the free movement of people, services, capital and assets.

Several one-stop border posts are planned between Uganda and South Sudan, with one already open at Nimule, about 200km from Juba.

This is helping trade via Mombasa, although we also export through Djibouti.

Investment

Now that the political situation has settled, we are seeing increased investor interest.

We already benefit from investment in the oil industry and export it to the European Union and China.

But there are efforts to build local industry. Honey has been a success story. We have built a value chain and now export it outside the continent. Fish is also exported, mostly to the region.

Growth

We have many growth areas. One is agriculture, with 80% of people employed in the sector. We also have 14 national parks and mineral resources including gold, silver and diamonds.

Increased energy generation will help our growth, with plans for hydropower plants along the River Nile.

LDCs need more support to progress

There has been little progress in Africa's Least Developed Countries (LDCs) even though some are earmarked for graduation, says Adam Elhiraika, Director of the Macroeconomics and Governance Division of the ECA.

The LDC programme was created in 1971 by the UN General Assembly to respond to structural vulnerabilities in poor countries.

Out of 45 LDCs globally 33, are in Africa and only three have graduated (Cape Verde, Botswana and Equatorial Guinea) while two more have been recommended for graduation in the 2024 review (Angola and São Tomé and Principe).

In the 2021 review, four other African countries met the graduation standards for the first time, including Comoros and Senegal.

Graduating means meeting two of three criteria. One is gross national income per capita (average) of $1306 or income only of $3918, scoring 66 or more on the Human Asset Index, and 36 or more on the Economic Vulnerability Index.

However, there are costs to graduation as many support mechanisms and tools are removed and the cost of finance becomes higher and often vulnerability can increase again in the short term.

Despite years of investment and support, the outcomes are generally not good. Severe food insecurity and high poverty levels characterise many LDCs and there is limited access to safe drinking water.

Science, technology and innovation skills are low and illiteracy levels are high.

Investment has declined, debt is rising and exports are still concentrated in primary commodities.

He said solutions include the need to align national development plans to the Doha programme and ensure consistent and adequate financing, among others.

Three
African countries have graduated from LDC status since the inception of the LDC iniative in 1971

Two
more have been recommended for graduation in 2024 review

Four
other African countries met the graduation standards for the first time, in the 2021 review

HOST PROFILE

Zimbabwe economy attracting investor attention

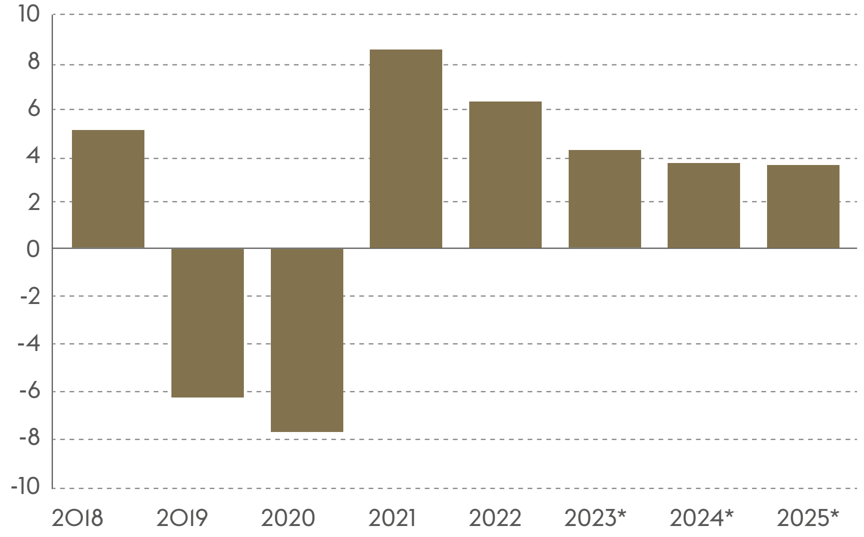
Investments in mining, energy and agriculture are driving investment into Zimbabwe, which attracted $8 billion in foreign investment commitments in 2023. This is double the amount targeted by the Zimbabwe Investment and Development Agency (ZIDA) at the beginning of the year.

Investors come from a range of countries including China, UAE, India and Saudi Arabia, among others. More than 3,000 investment inquiries were also received, according to ZIDA.

The system has been improved to shorten the time needed to register an investment in the country from 21 days to 48 hours.

The African Development Bank has predicted that Zimbabwe will register 3.6% growth in 2024, although prevailing drought conditions may affect this positive prognosis as well as depressed global growth.

GDP growth compared to previous year
2018 to 2025



But overall, Zimbabwe's economy has seen a strong rebound since the COVID-19 pandemic, making it one of the fastest-growing economies in the Southern African region.

In the past year, the Government proactively tightened monetary policy to bring down inflation and the parallel market premium. It also extended the use of US dollars as legal tender until 2030, reducing policy uncertainty.

New legislation has been promulgated on Special Economic Zones and already applications are in place for SEZs on green fuels, power and metallurgical processing as well as agro production.

The country mostly exports minerals and associated products, precious and semi-precious stones as well as tobacco, iron and steel and cotton.