Economic and Social Council

Distr.: General
17 May 2022

Original: English

Economic Commission for Africa
Conference of African Ministers of Finance, Planning and Economic Development

Fifty-fourth session
Dakar (hybrid), 16 and 17 May 2022
Item 6 of the provisional agenda*
Consideration and adoption of the ministerial statement

Ministerial statement

We, African ministers of finance, planning and economic development,

Meeting as the Conference of African Ministers of Finance, Planning and Economic Development in a hybrid format (physically and online) in Dakar on 16 and 17 May 2022 during the fifty-fourth session of the Economic Commission for Africa,

Honoured by the presence of the Chairperson of the African Union and President of Senegal, Macky Sall, the governors of national and subregional central banks in Africa, and other high-level dignitaries and special guests,

Having deliberated on the theme of the fifty-fourth session, "Financing Africa's recovery: breaking new ground",

Cognizant that the continent requires high levels of financing to accelerate structural transformation and to achieve the Sustainable Development Goals of the 2030 Agenda for Sustainable Development and the aspirations of Agenda 2063: The Africa We Want, of the African Union,

Cognizant also that the coronavirus disease (COVID-19) pandemic has further widened the development financing gap of the continent as social expenditure has increased and revenue has declined in the context of a global economic slump, which has been punctuated by supply chain disruptions, declining commodity prices and revenue shortfalls,

Having been informed that Africa would require additional financing of $285 billion each year to 2025 to ensure an adequate response to the COVID-19 crisis,[1]

Do hereby:

1. *Acknowledge* that the pent-up demand for goods and services, owing to the relaxation of COVID-19 restrictions, better global economic conditions and the rebound in commodity prices, has contributed to economic

* E/ECA/CM/54/1/Rev.1.

[1] International Monetary Fund, "Background note for international financing summit for Africa high-level event" (Washington, D.C., 12 May 2021).

A.22-00836

recovery from the pandemic, with Africa registering economic growth of 4.7 per cent in 2021, compared with a contraction by 3.2 per cent in 2020;

2. *Note* that the continent's recovery could be constrained by the surge in food, oil and fertilizer prices provoked by the war in Ukraine and other shocks, such as virulent new variants of the coronavirus, rising interest rates in developed economies, climate shocks, capital outflows, currency depreciation and increased borrowing costs;

3. *Also note* that the continent suffers from enormous infrastructure deficits, ranging from energy shortages affecting millions of households to low levels of Internet penetration and road density levels well below the global average, and that the financing required to close such deficits will measure between $130 billion and $170 billion annually until 2025,[2] on top of additional financing that is needed for the development of railway, air and maritime transport;

4. *Further note* that, for the continent to achieve the Sustainable Development Goals, it will need to invest approximately $66 billion annually in its health systems and health infrastructure to reduce its disease burden, improve its average maternal mortality rates (which stood at 542 deaths per 100,000 live births in 2017, the highest for any region in the world) and enhance access to skilled health personnel, who are in short supply;

5. *Note with concern* the projections of the United Nations Environment Programme that, by the end of 2020, between 75 million and 250 million people will be affected by climate-induced water stress, yields from rain-fed agriculture will diminish by up to 50 per cent and global warming of 2ºC will place half the continent's population at risk of food insecurity and undernourishment;

6. *Recall* the commitments enshrined in the Paris Agreement, adopted in 2015 by the Conference of the Parties to the Framework Convention on Climate Change at its twenty-first session, and the Glasgow Climate Pact, adopted in 2021 by the Conference of the Parties at its twenty-sixth session;

7. *Recognize* that the continent will need over $3 trillion to finance mitigation and adaptation measures by 2030 to address the challenges of climate change,[3] which could be met in part through a substantial increase in the issuance of green bonds;

8. *Observe* that multilateral and bilateral credit, as a share of total external debt, declined from 83 per cent in 2000 to 60 per cent in 2019, while, over the same period, commercial borrowing soared from 17 to 40 per cent of total external debt, driven primarily by Eurobond issuances, which grew by 1,170 per cent over the period 2000–2019 in part as a consequence of inadequate public financing and increased access to capital markets;

9. *Also observe* that, as a result of measures taken by policymakers to save lives and restore livelihoods during the COVID-19 pandemic, including an increase in public spending and a reduction in the tax burden of households and businesses, fiscal indicators have deteriorated, with the ratio of tax revenue to gross domestic product declining from 14.9 per cent in 2019 to 11.9 per cent in 2020, fiscal balance as a proportion of gross domestic product declining from -3.5 per cent in 2019 to -7.6 per cent in 2020, while the ratio of debt to gross domestic product rose from 60.0 to 71.1 per cent over the same period, before falling slightly to 67.7 per cent in 2021;

10. *Note* that bilateral and multilateral support provided to assist the continent in its recovery from the pandemic, such as the Debt Service

[2] African Development Bank, *African Economic Outlook 2018* (Abidjan, 2018).

[3] African Development Bank Group, "Climate change in Africa".

Suspension Initiative and the allocation of new special drawing rights, although helpful, has been insufficient to meet the need and was narrowly targeted, largely leaving out several vulnerable middle-income countries that have received limited support;

11. *Recognize* that, in addition to the Debt Service Suspension Initiative and the Common Framework for Debt Treatments, the support received by the continent included commitments by development partners to grant $89.5 billion to several countries in the first quarter of 2021 and grants from the International Monetary Fund to low-income African countries, through the Catastrophe Containment and Relief Trust, to cover their debt obligations for an initial phase of six months during the pandemic, as well as $7.24 billion in COVID-19-related financing to eligible countries in 2020 (representing 1.16 per cent of their gross domestic product), through the Poverty Reduction and Growth Facility;

12. *Also recognize* that illicit financial flows, estimated to total at least $83 billion annually in Africa, are siphoned out of Africa owing to weak tax administration capacity and limited coordination across tax authorities, which have created opportunities for tax avoidance and corrupt practices such as tax evasion and trade misinvoicing;

13. *Observe* that capital markets, which are vehicles for mobilizing domestic equity to finance investment, are not well developed on the continent, owing in part to the large size of the informal sector, the low percentage of savings in pension funds, and weak regulatory and governance regimes, which have contributed to a ratio of market capitalization to gross domestic product of 30 per cent or less for the 28 stock markets on the continent − well below the global average range of 75–90 per cent − and has had an adverse effect on the raising of proceeds from initial public offerings, which between 2014 and 2019 totalled only $27.1 billion, representing less than 1.4 per cent of global gains from initial public offerings in that period;

14. *Recognize* that African countries with access to external capital markets pay what has been termed the "African premium", which is in essence a surcharge on borrowing that ranges from 100 to 260 basis points higher than the interest rates paid by their peer countries outside the continent with similar or even worse economic fundamentals, as indicated by their credit risk ratings;

15. *Also recognize* that the raising of interest rates by central banks in advanced economies to restrain rising inflationary expectations has adverse implications for the cost of credit, debt rollovers, portfolio capital flows and exchange rates, which in turn will translate into higher interest rates from public and private financing sources, resulting in higher borrowing costs for the continent;

16. *Note* that bilateral donors may follow the example of some countries in on-lending a portion of their unutilized special drawing rights to low and middle-income countries, given that the on-lending of $100 billion in special drawing rights to Africa would be a cost-effective means of financing the continent's recovery;

17. *Recognize* that blended financing that includes credit guarantees and enhancements designed to reduce the perceived risk of default by Governments could potentially improve credit ratings and ensure that public resources are used to manage and reduce the risks associated with private financing, thereby providing yet another pillar to support the continent's development;

18. *Acknowledge* that the Liquidity and Sustainability Facility, launched by the Economic Commission for Africa and the Pacific Investment Management Company, would allow the continent to attract investment in so-called "sustainability-themed financial products", including green bonds, by

offering preferred repurchase agreement rates to institutional investors that refinance their positions using the continent's green bonds as collateral;

19. *Also acknowledge* that Governments are supporting development projects by using innovative financing instruments, such as pension funds, and providing risk-mitigating guarantees;

20. *Note* that the continent's stock exchanges need to attract investment by modernizing trading systems, minimizing settlement lag times and transaction costs, improving quotation methods and enabling cross-listing and efficient pricing, which will be complemented by government efforts to ensure a stable macroeconomic environment and enforce financial contracts within an environment of credible, fair and transparent legal frameworks;

21. *Acknowledge* that the Pan-African Payments and Settlement System, launched by the African Export-Import Bank to support the operationalization of the African Continental Free Trade Area, enables instant, cross-border payments in local currencies by simplifying cross-border transactions and reducing high transaction costs and dependence on hard currencies as intermediaries in such transactions;

22. *Recognize* that African countries should be compensated for the efforts that they make to safeguard some of the planet's most important carbon sequestration assets;

23. *Also recognize* that the peatlands of the Congo basin alone are the second largest carbon sink in the world;

24. *Note* that African countries have the potential to raise significant revenue and benefit from high-impact adaptation initiatives that help to develop sustainable livelihoods, including the development of high-integrity carbon markets that are aligned with the principles of article 6 of the Paris Agreement;

25. *Welcome* the memorandum of understanding on harmonizing regional carbon-certification mechanisms signed by the Economic Commission for Africa and member countries of the Climate Commission for the Congo Basin, with a view to generating predictable financial flows that can be invested in sustainable development priorities;

26. *Also welcome* efforts to extend the Congo basin initiative to other countries on the continent, which can benefit from the regional carbon-certification mechanisms, and look forward to opportunities to leverage such opportunities in the context of the operationalization of the African Continental Free Trade Area;

27. *Recognize* the role played by vaccines in combating the COVID-19 pandemic and other health crises, welcome the efforts made to increase access to vaccines and to scale up manufacturing of vaccines and other pharmaceutical products in Africa, and commend the contributions in that regard made by all partners, including the Economic Commission for Africa, the African Union and Africa Centres for Disease Control and Prevention;

28. *Welcome* the report of the Secretary-General entitled "Our Common Agenda",[4] which is designed to accelerate the implementation of the 2030 Agenda on Sustainable Development, especially within the context of the COVID-19 pandemic and the setbacks that it has caused for the achievement of the Sustainable Development Goals in Africa;

29. *Commend* the Economic Commission for Africa, African ministers of finance and the International Monetary Fund on facilitating the establishment of a high-level working group on a new global financial architecture;

[4] A/75/982.

30. *Welcome* the establishment of the Resilience and Sustainability Trust by the International Monetary Fund to help countries to build resilience to external shocks and ensure sustainable growth, which will contribute to the stability of their long-term balance of payments;

31. *Take note* of the report on the meeting of the Committee of Experts held in Dakar from 11 to 13 May 2022,[5] commend the Committee on its work and endorse the resolutions approved by the Committee;

32. *Commend* the Economic Commission for Africa on successfully implementing its work programme for 2021 despite the challenges arising from the COVID-19 pandemic, and on aligning it with the report entitled "Our Common Agenda";

33. *Request* the Economic Commission for Africa to continue to provide technical support to its member States to formulate and implement innovative financing mechanisms, such as the pooling of private and public revenue streams (blended financing), the deepening of capital markets, the use of pension funds, sovereign wealth funds, diaspora bonds and remittances to fund development projects, the issuance of Sustainable Development Goal-linked bonds and the provision of new incentives, and to engage in advocacy with a view to reducing the risk premium and the cost of credit, which continue to impede access to international financing;

34. *Also request* the Economic Commission for Africa to continue to provide technical assistance and advisory services to its member States to strengthen tax administration capacity, increase tax revenue and combat illicit financial flows, with a view to mobilizing more domestic resources for development;

35. *Call upon* member States of the Economic Commission for Africa to step up their efforts to mobilize domestic resources, through effective tax policies, savings and the use of other innovative mechanisms, such as pension funds, sovereign wealth funds, diaspora bonds and remittances, to support African development projects;

36. *Also call upon* member States of the Economic Commission for Africa to adopt and implement policies that create an enabling environment for private sector activity and attract institutional investors, to foster the use of financial instruments, such as blended financing, capital markets, pension funds, sovereign wealth funds, Sustainable Development Goal-linked bonds, green financing, project bonds, guarantees and risk-reducing instruments, among others, along with new incentives to reduce the cost of credit;

37. *Urge* member States of the Economic Commission for Africa to accelerate their efforts to pursue comprehensive and unambiguous policies on combating tax-motivated illicit financial flows, to strengthen their legal and law enforcement systems, and to bring together national agencies whose work is essential to tackling international financial flows;

38. *Also urge* member States of the Economic Commission for Africa to strengthen or establish, within their tax administration structures, mechanisms to prevent tax avoidance and evasion, trade misinvoicing and mispricing, money laundering and corruption, among other things, to boost national tax revenue;

39. *Further urge* member States of the Economic Commission for Africa to step up their efforts to design and implement credible macroeconomic frameworks that will provide a solid foundation for socioeconomic transformation and to strengthen infrastructure development initiatives that will

[5] E/ECA/CM/54/4.

boost production capacity, reduce transaction costs and promote structural transformation;

40. *Call upon* member States of the Economic Commission for Africa to scale up their investments in education to support the structural transformation of their economies;

41. *Also call upon* member States of the Economic Commission for Africa to focus on filling import gaps created by the war in Ukraine in agricultural and other markets and to establish social safety nets to support vulnerable populations that are overly exposed to those import gaps, so as to ensure that they have adequate access to key goods and staple products;

42. *Urge* member States of the Economic Commission for Africa that are net food importers to diversify their sources of supply, including by increasing domestic production, releasing existing stocks and diversifying import sources;

43. *Urge* member States of the Economic Commission for Africa that are oil exporters to take advantage of the windfall from oil exports to support economic recovery, replenish their policy buffers and invest in renewable energy products to reduce dependence on foreign oil and gas;

44. *Request* the Economic Commission for Africa to provide technical assistance and advisory services to its member States to respond to the growing negative impact of the war in Ukraine on their economies and to explore the potential opportunities for African countries that may arise from the conflict in terms of agricultural and industrial production;

45. *Also request* the Economic Commission for Africa to prepare a study to assess the feasibility of setting up a pan-African hedging facility to assist member States in better managing the risks associated with commodity price fluctuations;

46. *Urge* member States of the Economic Commission for Africa to seize the opportunities presented by the African Continental Free Trade Area to boost intra-African trade in food, industrial products and services, in order to build their productive capacity and resilience against external shocks;

47. *Urge* private sector entities to take full advantage of the African Continental Free Trade Area to increase value addition, promote economies of scale and expand their businesses;

48. *Call upon* development partners, including multilateral and regional development banks, to support African countries both in securing adequate climate financing so that they can adapt to and mitigate the growing impact of climate change, and in investing in low-carbon, climate-resilient development that is grounded in a transition to sustainable energy and infrastructure and improved agricultural and land-use practices;

49. *Urge* all partners, including the Economic Commission for Africa, the African Union and Africa Centres for Disease Control and Prevention, to accelerate or strengthen various medical supply development initiatives, including the African Vaccine Acquisition Trust initiative, the African Continental Free Trade Area-anchored Pharmaceutical Initiative, the Centralized Pooled Procurement Mechanism and others that are aimed at ameliorating the shortage of vaccines and medicines and reducing dependency on imports thereof from non-African countries;

50. *Urge* the Economic Commission for Africa and the African Export-Import Bank, in collaboration with the African Union and the secretariat of the African Continental Free Trade Area, to accelerate the operationalization of the African trade exchange platform, a business-to-business and business-to-government digital marketplace in support of the Area;

51. *Call upon* the International Monetary Fund, in the light of the war in Ukraine, to use the Catastrophe Containment and Relief Trust to offer debt service relief to poor countries and waive for a period of two to three years any extra surcharges, which for 2022 have been estimated at $4 billion and which have been imposed on countries with large borrowings, on top of interest payments and fees;

52. *Also call upon* the International Monetary Fund to expedite its consideration of requests for new programmes, to augment existing programmes, to make full use of its emergency financing instruments, where appropriate, to reduce temporarily limits on access to emergency financing until 2025, and to issue new special drawing rights;

53. *Urge* the countries of the Group of 20 to extend the Debt Service Suspension Initiative for two additional years to help to create fiscal space for urgent spending by low income countries interested in it, and to modify the Common Framework for Debt Treatments to make debt restructuring more effective and broad-based by including commercial creditors;

54. *Call upon* developed countries to support efforts to reallocate $100 billion in special drawing rights, of which $60 billion should be allocated to the Poverty Reduction and Growth Trust and the new Resilience and Sustainability Trust;

55. *Urge* the Iinternational Monetary Fund to consider issuing additional special drawing rights to support the development efforts of African countries;

56. *Call upon* development partners to replenish the African Development Fund and to support the leveraging of the Fund’s equity through capital market borrowing;

57. *Also call upon* development partners to recapitalize multilateral development banks, in particular African public development banks, to add to the list of prescribed holders of special drawing rights, and to channel a portion of special drawing rights to the multilateral development banks to support the recapitalization and financing of African public development banks, with a view to increasing development financing and addressing the looming food crisis;

58. *Call upon* the members of the Group of 20 and the International Monetary Fund to reform the international financial architecture so that African countries may gain access to resources more easily and at a lower cost from multilateral and regional financial institutions;

59. *Also call upon* the members of the Group of 20 to extend membership to the African Union, which is home to 1.4 billion people and has an annual output of $2.6 trillion, to enhance the continent’s voice in global dialogue and decision-making;

60. *Request* the Economic Commission for Africa to continue to provide thought leadership and technical support in the deliberations of the high-level working group on a new global financial architecture and to serve as its secretariat;

61. *Also request* the Economic Commission for Africa to intensify its efforts to implement the aspirations outlined in the report entitled “Our Common Agenda” for the achievement of the Sustainable Development Goals;

62. *Further request* the Economic Commission for Africa to provide technical assistance and advisory services to its member States in their preparations for the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, which will be held in Egypt from 7 to 18 November 2022;

63. *Thank* the Chairperson of the African Union and President of Senegal, Macky Sall, the Chair of the Bureau of the Conference of Ministers of Finance, Planning and Economic Development, Amadou Hott, along with the Government and people of Senegal, for the hospitality that has been afforded and for the courtesies that have been extended to the representatives of the member States of the Economic Commission for Africa and those of the various institutions and organizations that have participated in the fifty-fourth session of the Commission, which have contributed to the success of the session;

64. *Express* our gratitude to the secretariat of the Economic Commission for Africa for successfully organizing the fifty-fourth session of the Economic Commission for Africa.