Daily Bulletin

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LEAD STORY

Raising awareness of AfCFTA benefits is critical to its success

Social protection: Ministers share their strategies

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Digital Earth Africa

Host Profile

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Snapshot of Today’s Upcoming Events
Raising awareness of AfCFTA benefits is critical to its success

The private sector is key to the success of the African Continental Free Trade Area and yet surveys of business highlight the need for more work to be done to raise awareness of the details of the agreement and how firms can participate.

This was among the findings of the first phase of research done to inform the Country Business Index launched by the ECA, a key instrument through which businesses in Africa can articulate to policy makers their main trade challenges under the free trade agreement.

Research is being carried out to see how easy it is for a business in Cameroon to set up in Kenya and vice versa and, in the process, identify bottlenecks to trade and issues preventing the easy movement of goods across the continent.

Firms surveyed were strongly aware of their country’s participation in different Regional Economic Communities (RECs) but they were less informed about their country’s participation in the AfCFTA, Stephen Karingi, Director, Regional Integration and Trade Division of the ECA.

A pilot study was conducted in Cameroon and Zambia for the research that will underpin the index, with further research undertaken in seven more countries once the methodology was refined. These were Angola, Côte d’Ivoire, Gabon, Kenya, Namibia, Nigeria and South Africa.

In the third phase, the Index will be rolled out in the Democratic Republic of Congo, Egypt, Morocco, Rwanda, Senegal and Tunisia.

Across all countries, agriculture and services account for most firm activity, although services dominate accounting for an average of 46% of overall firm activity.

The research showed that complying with the FTA’s rules of origin requirements was perceived as the most restrictive aspect to trading, said Karingi.

This can be partly explained by the difficulty in conforming to these rules and may be particularly onerous for informal traders and especially women-owned businesses.

“UN development agencies, African governments and business associations should reinforce their collaboration to address the challenges faced by women-owned businesses and SMEs in trading across borders,” Karingi urged.

Unauthorised charges on trade were negatively viewed by companies, large and small, while areas such as sanitary and phyto-sanitary requirements and technical barriers to trade were generally regarded as being neutral, the research showed.

Vera Songwe, Secretary General of the ECA and UN Under Secretary General, told the del-

The ECA’s Country Business Index will underpin the success of the AfCFTA by making it easier for the private sector to trade across the continent.
egates, “For the AfCFTA to work, we don’t want to just understand what countries need to do to improve their business environment, but what they need to do at a cross-border level.”

The Regional Economic Communities had done “a fantastic job” in opening up trade, she said, but there were still challenges. It was important to find out what these were, what was hampering trade and creating blockages at borders as well as how the situation could be properly monitored.

Birgitte Markussen, head of the European Union Delegation to the African Union and UNECA, emphasised the organisation’s support for the AfCFTA initiatives and also the participation of business in realising the vision it embodied.

“We can reach 26% (of intra-African trade as a percentage of total trade) by 2045 only if we have the active participation of the private sector,” she said.

Dr Amany Osfar, President of the African Business Council, based in Egypt, said the continent needed to dedicate 40% of government procurement budgets to the African private sector, including women and youth.

She also emphasised the importance of competitiveness and the need for proper value addition to African products. ECA research shows the opportunity offered by the free trade area, assuming its successful implementation by 2030.

Robert Lisinge, Chief of Section, PSDFD- Energy Infrastructure & Services Section at the ECA, outlined various scenarios and numbers of potential demand for vessels, vehicles and other inputs that will be needed assuming planned projects are implemented by 2030.

Opportunity

These include 212 bulk cargo vessels and 14 container cargo vessels as well as 1.9 million bulk cargo trucks and 268,000 container trucks.

Increasing the road network will better connect areas of production and consumption. Currently, Africa’s road network is about 2.8 million kilometres what that of the US exceeds 6.5 million kilometres.

All these are areas of great opportunity for African companies, he said.

Raising awareness of AfCFTA benefits is critical to its success (continued)

POLICY RECOMMENDATIONS

• Ensure UN development agencies, African governments and business associations reinforce their collaboration to address the challenges faced by women-owned and small businesses in trading across borders.

• Remove tariff and non-tariff barriers and simplify administrative procedures at national and continental levels. This can be done through the effective implementation of the AfCFTA in line with the private sector expectations (a bottom-up approach).

• Raise the awareness of the private sector about market opportunities and AfCFTA mechanisms of operation both at national and continental levels.

• Simplify regimes around the rules of origin to improve utilisation of existing FTAs and enhance the integration of African economies into regional value chains.

• Build and raise awareness of AfCFTA opportunities and mechanisms of operation both at national and continental levels.

IMPLEMENTING AFCFTA WOULD...

double maritime freight from 58 to 131.5 million tonnes
increase rail freight 52 times
The Covid-19 pandemic has pushed millions of Africans into poverty, putting social protection strategies at the top of the agenda for African finance ministers.

As the developed world unveiled unprecedented fiscal stimulus packages and support for citizens, African governments also spent millions of dollars supporting vulnerable populations, despite meagre resources.

Cynthia Samuel-Olonjuwon, Assistant Director General and Regional Director for Africa of the International Labour Organization (ILO), said that social protection should be at the forefront of every economic development plan.

“Social protection plays a key role in boosting domestic demand and supporting the transformation of national economies,” she said.

However, only 3.8% of Africa’s GDP is spent on social protection compared to 12.9% in the rest of the world.

Samuel-Olonjuwon said that African countries need to increase their spending by 8.2% to achieve the social protection threshold needed to support vulnerable communities.

Mohamed Maait, Egypt’s finance minister, said that the Arab republic had rolled out key protection measures over the course of the Covid-19 pandemic. Egypt’s ambitious IMF-backed reform programme in 2016 paved the way for “more efficient social protection and human capital development”.

During the pandemic, the government created a solidarity and dignity support programme to send cash transfers to more than 4.5 million families on the poverty line.

The government also subsidises bread for more than 72 million people, covering the cost of 90% of the everyday staple.

Maait added that the government has invested aggressively in social housing for millions of poor families.

It has also increased public wages and pension payments by 10% and 13% respectively over the last few years.

The minister said that it is often hard to balance spending between “a lot of demands with limited resources” but underlined the importance of allocating funds to human capital.

João Fadiá, Guinea-Bissau’s finance minister, said that he has been personally charged with investing in healthcare facilities to protect needy citizens in one of Africa’s poorest countries.

The Lusophone country has set threshold prices for essential items like rice, sugar and flour in an effort to support vulnerable demographics.

“We have also made tuition free and invested a lot in feeding programmes to help keep kids in school,” he said.

Liberia also started providing food to vulnerable populations during Covid-19, as well as electricity and water in rural areas.

The government also intervened in household finances to pay off some debt.

“We want to redesign our redevelopment plan and structure in the context of Covid-19 so we don’t fall too far behind our development agenda to improve the lives of normal people,” said the Deputy Minister for Budget and Development Planning, Tanneh Brunson.

Uganda’s story is not that different to those of many other African countries except that most of the population has access to land and therefore it was not as necessary to roll out food aid, the country’s finance minister said.

“Food security is not a problem, but a big problem is that 39% of the country is not involved in the monetary economy,” said Amos Lugooloobi, Uganda’s Minister of State for Finance, Planning and Economic Development.

The government intervened in over 10,000 parishes across the country to identify citizens that are not engaged in the formal economy, to send them cash transfers.
African capital markets need to be strengthened to improve the resilience of the continent to exogenous shocks, speakers said at this week’s event in Dakar, Innovative Financing in Capital Markets for Recovery in Africa.

In order to strengthen these markets, innovative tools are needed, panelists said. Despite the disruptions caused to economies by the Covid-19 pandemic, it is clear that financial markets remain a focus for Africa. Although individual countries have needed debt restructuring, Africa has not had to weather a full-scale financial crisis.

The performance of African stock markets was examined by Jeff Gable, the head of Macro and Fixed Income Research at South African banking Group Absa and Kat Usita, Managing Director of independent think tank, the Official Monetary and Financial Institutions Forum based in London.

They presented the findings of the 2021 Absa Africa Financial Markets Index, which analysed developments in 23 African markets.

Strengthening capital markets will improve resilience to shocks

The main findings were:

- Africa is paying more attention than ever to adapting market standards to meet the needs of international investors seeking to diversify risks.
- Deepening local financial markets is now universally seen as an optimal means of hedging against international economic fluctuations.
- African countries are embracing sustainable finance, incorporating international investment norms and in some cases adopting pioneering methods.

According to the report, as the global economy struggles to recover from the worst health crisis in a century, African economies face the twin challenges of reinvigorating financial markets while strengthening market infrastructure.

The pandemic has reinforced the importance of deepening domestic markets to hedge against foreign capital outflows and help the region achieve its full potential.

Malawi, Egypt and Uganda are among the countries that improved their ranking the most on the Index, which measures six pillars: market depth, access to foreign exchange, market transparency, tax and regulatory environment, capacity of local investors, macro-economic opportunity and enforceability of financial contracts.

Advancements in establishing the enforceability of global contractual frameworks lifted Malawi’s and Uganda’s scores while reforms in Egypt continued to boost its macroeconomic prospects.

While challenging market conditions affected country scores, most drops were attributed to methodological changes adopted to better reflect country performance and evolving trends in financial markets, the report said.

As part of its aim to encourage progress, this year’s index, the fifth in the series, introduces new indicators that acknowledge the role of sustainable finance in expanding capital markets and achieving broader socio-economic goals. The introduction of sustainability-focused indicators weighs down scores, especially for countries at a much earlier stage of market development. However, the new measures serve as targets for countries to work towards.

Other speakers at the session were Amadou Hott, Minister in Charge of Economy, Planning and International Co-operation, Senegal; Edoh Kossi Amenounve, President of the African Securities Exchanges Association; Babacar Gning, Executive Director at Fonds Souverain d’Investissements Stratégiques; Yeo Dossina, Head of Economic Policy and Research, AUC; Pape Ndiaye, CEO, AFIG Funds; Patric Oromo Ndzana, Economist, African Union Commission; and Grace Obat, Director PSDFD at the ECA.

Top 5 African Capital Markets 2021

1. South Africa
   Consistently strong performance across pillars, hampered by weak economic growth

2. Mauritius
   Robust legal and market environment dampened by low liquidity

3. Nigeria
   Attractive regulatory and market environment

4. Ghana
   Strong contractual frameworks but relatively low pension assets per capita

5. Uganda
   Large pension fund assets under management, but illiquid markets
If Africa wants to build back better from the Covid-19 pandemic, it must significantly ramp up investments in energy – particularly green energy - said Jean Paul Adam, Director, Climate Change, Natural Resource Management and Technology at UNECA.

“We have around 600 million Africans who don’t have access to electricity, so we have to significantly increase investments in energy projects to make sure that we meet the sustainable development goals (SDGs),” he said.

The main barriers to investment is the undeveloped nature of Africa’s capital markets, preventing companies and sovereigns from easily raising capital. On the international markets, governments struggle to access affordable financing due to a risk premium attached to African debt.

Hicham Elamy, Director of the Moroccan Authority for Capital Markets, said the transition was kickstarted by COP 2016 which was held in Marrakech. In the next few years, the government came up with a “practical guide” and “framework” on how to boost investment in renewable energy in Morocco. The guide brought together key stakeholders in the private and public sectors to agree on regulation before it was implemented.

Morocco’s first green bond was issued in November 2016 to finance the Noor Solar Power plant to the tune of $117m. The issuance was oversubscribed, Elamay said, pointing to an example where capital markets can drive investment into renewable energy in Africa.

There is an issue of access to financing at affordable rates even when African countries have a decent ranking. South Africa, Egypt and Morocco are some of the best ranked countries but they have interest rates that are four times more than countries in Europe with similar rankings,” said Adam. But the lack of investment does not reflect a lack of interest in green energy projects – there is a huge drive towards renewables yet only 1% of green energy bonds are in Africa, said Nabil Jedlane, professor at Morocco’s Abdelmalek Essaadi University.

Indeed, Morocco is a good example of an African country that has made considerable progress transitioning away from fossil fuels to green energy. The kingdom is currently at 38% green energy, with the aim of ramping up the share of renewables to more than half of the total energy mix within the next few years.

There is a huge drive towards renewables yet only 1% of green energy bonds are in Africa.
Digital Earth Africa: Un outil innovant pour lutter contre le réchauffement climatique


Digital Earth Africa fournit des données spatiales d’une extrême précision sur un grand nombre de domaines, notamment l’érosion des sols et des côtes, l’agriculture, le développement des forêts et des déserts, ainsi que la qualité de l’eau.

Toutes ses données donnent la possibilité aux responsables politiques, ainsi qu’aux acteurs de la société civile, d’analyser les phénomènes climatiques qui affectent leurs pays et d’agir en conséquence.

Un exemple concret fut présenté ce dimanche 15 mai 2022 lors d’un événement parallèle à la 54e Conférence des ministres africains des Finances qui se déroule à Dakar : à Zanzibar, les données de Digital Earth Africa ont permis de mettre en évidence la surexploitation des ressources de mangrove causée par la production de sel et de bois pour le chauffage et le logement.

Par leur niveau de captation du carbone exceptionnel, les mangroves sont un élément clé de la lutte contre le dérèglement climatique. D’où la nécessité de les protéger.

Les images satellites offertes par Digital Earth Africa, ainsi que l’analyse de ses précieuses données, permettent au gouvernement tanzanien d’accroître les efforts de sensibilisation à la conservation des mangroves, et de mettre en avant les impacts sur les communautés locales.

Double digit growth in Africa is hard, but not impossible

It is not impossible to achieve double digit growth in Africa, but it will require “innovative change” said Bamba Diop, Director-General for Planning and Economic Policies at Senegal’s Ministry of Economic Planning and Cooperation.

The Director-General, who is also the chair of this year’s UNECA meeting, said that in the past Senegal had only twice achieved more than 5% growth for more than five years.

Since 2014, however, the West African country has grown at more than 6% each year.

The former economist said that recent oil and gas finds in the Atlantic Ocean should propel growth to more than 10% in the near future, but Senegal will use the hydrocarbon boom to finance development in other areas.

One key area, he said, is boosting the level of public investment.

“If we look at levels of GDP growth each year at 6%, only 0.6% of that growth came from public spending so we need to increase that threefold.”

Other areas of focus include human capital, social care, education and health.

Indeed, economic growth should transfer tangible benefits to Senegal’s citizens, he said.

The government plans to create two million jobs by 2023 to further spur economic growth.

“If we can structurally transform the country through reforming the business environment and a job creation scheme, we can boost economic growth,” he told a panel on ‘Achieving double-digit growth in Africa’.

The government is paying particular attention to creating jobs for women, who have faced traditional barriers to the labour market.

Diop added that Senegal is moving towards its next strategic planning phase, between 2024 and 2028.

However, he reminded the audience that growth rates in Africa have taken a hit in recent years due to the commodity slump, the Covid-19 pandem-
In Conversation

We asked Mathew Sandy, Director of the Public Debt Management Division in Sierra Leone’s Ministry of Finance, what he thought were Africa’s priorities.

Food security
“Crisis forces us to adapt and become more resilient. The Ukraine crisis, which has affected Africa’s food security, has reminded us of the priority of being self-sufficient in food production. By solving the food security problem, you also solve half of the monetary policy problem. Food inflation is about 40% of the CPI basket and above 60% for some countries.

A way to achieve food sovereignty is by developing local products such as cowpea. It is also important to sensitise the population about nutrition.

Building strong institutions
This is also one of the continent’s top priorities. This means the implementation of good governance policies to fight corruption. At times of crisis, normal budget processes can be bypassed, for example in areas such as procurement.

If, during crisis you can demonstrate effective management of resources, it will create confidence in governance.

Debt
The debt challenge needs to be addressed through fiscal consolidation domestically although the bigger problem needs to be solved at a global level.

Governments need to avoid the temptation at times of financial shocks, like the current one, to introduce fuel subsidies. That would only drive us toward debt distress. It is better to let prices go up but invest in social protection to help vulnerable people.”

Aperçu : La conférence commémorative Adebayo Adedeji

Aujourd’hui, Tiyambe Zeleza, historien originaire du Malawi, sera l’invité de la huitième édition de la conférence commémorative Adebayo Adedeji, qui portera sur le thème du “rôle de l’enseignement supérieur et du développement du capital humain dans la transformation de l’Afrique”.

Cette commémoration prend place en marge de la Conférence des Ministres africains des finances (CoM) organisée à Dakar jusqu’au 17 mai.


Tous les ans, la conférence fait intervenir des personnalités et des universitaires éminents qui ont apporté une contribution notable au développement du continent africain, à l’image du professeur Adedeji.

Cette année, le vice-recteur et professeur distingué de l’université américaine Case Western Reserve University est à l’honneur pour discuter du rôle de l’enseignement supérieur en Afrique, ainsi que l’importance de créer un capital humain solide pour l’avenir du continent.


Snapshot of Today’s Upcoming Events

Breakfast working segment & Dealing with crisis: a new global financing architecture
7.45am – 9.00am

Election of the Bureau and adoption of the agenda and programme of work
9am - 9.30am

Opening session
10–10.30am

High-level ministerial policy dialogue: Can the development ambition of billions to trillions be achieved?
11.30am - 1.30pm

Special event: 2022 Adebayo Adedeji Memorial Lecture
4.30pm – 5.30pm

High-level round-table discussions 1: Financing green growth and the African Continental Free Trade Area
3pm – 4.30pm

High-level round-table discussions 2: The future of health and economic resiliency in Africa
5.30pm – 7pm