



Financing
Africa's
Recovery

Financement
de la relance
de l'Afrique

BREAKING NEW GROUND
TROUVER DES SOLUTIONS INNOVANTES



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African finance ministers prepare to steer their countries through difficult times

African ministers of finance set to tackle new risks, challenges

African ministers of finance, planning and economic development called for the reform of the international financial architecture to allow African countries to access resources more easily and at a lower cost from multilateral and regional financial institutions.

In the final communique wrapping up the 54th UNECA conference held in Dakar, they commended the ECA, African finance ministers and the IMF for facilitating the establishment of a high-level working group towards this end.

This came out of the final communique issued at the end of a week's deliberations on the need for higher levels of financ-

ing for the post-Covid-19 pandemic recovery and to achieve the 2030 Agenda for Sustainable Development and goals of Agenda 2063, which have suffered significant setbacks from the pandemic.

The group cited the impact of the Russian war with Ukraine, highlighting the impact it was having on prices of key commodities.

Other new risks included new virulent variants of the coronavirus, rising interest rates in developed economies, climate shocks, capital outflows, currency depreciation, rising debt and increased borrowing costs.

Dealing with these challenges is expensive. "We note that the

required annual expenditures for the continent related to the SDGs are expected to rise by \$154bn annually.

"We need between \$130bn and \$170bn annually for our infrastructure projects as well as about \$66bn annually to invest in our health systems and health infrastructure. Furthermore, we need over \$3trln in mitigation and adaptation spending by 2030 to address the challenges of climate change."

"We commit to increase our efforts to mobilise domestic resources, through effective tax policies, savings, and the use of other innovative mechanisms such as sovereign wealth funds, diaspora bonds and remittanc-

es, to support our development projects."

The ministers pledged to adopt and implement policies that create an enabling environment to attract the private sector and institutional investors, and to pursue "unambiguous" tax policies, among a raft of other measures, to combat illicit financial flows.

The ministers noted their disappointment at having to pay an "African premium," which ranges from 100 to 260 basis points, for funds raised in external capital markets.

"Interest rates charged to our countries are higher than those charged to our peers outside our continent with similar or worse

economic fundamentals."

The group called on countries that are net food importers to diversify their sources of supply including through domestic production, releasing existing stocks and diversifying import sources.

"We also urge our oil exporting countries to utilise the windfall to support economic recovery and replenish their policy buffers. We agreed, in the medium-term, to invest in renewable energy products to reduce dependence on foreign oil and gas."

"We note that the full implementation of the AfCFTA will boost our collective gross domestic product (GDP) by \$55bn in 2045 and therefore we urge

Other new risks included new virulent variants of the coronavirus, rising interest rates in developed economies, climate shocks and capital outflows

our countries that have ratified the agreement to mainstream the agreement in our national development plans and those that have not ratified to do so".

The wide-ranging communique also thanked its partners for their support. Finally, it thanked the Chairperson of the African Union Commission and President of the Republic of Senegal, Macky Sall, and people of Senegal for hosting the event.

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Developing human capital is key to Africa's success

“Undoubtedly, higher education and the creation of sound human capital are central to the economic competitiveness and transformation of Africa in the twenty-first century,” said Paul Tiyambe Zeleza, the keynote speaker at the annual Adebayo Adedeji lecture.

Speaking in Dakar at the ECA Council of Ministers conference, Zeleza said higher education in Africa requires both increased investment and greater reform in its nature, content and direction to make it fit for purpose and to ensure a high level of human capital development.

Mr. Zeleza is Associate Provost and North Star Distinguished Professor at Case Western Reserve University, a leading American research university. Until recently, he was Vice Chancellor (President) and Professor of Social Sciences and Humanities at the United States International University-Africa, in Nairobi.

The annual lecture, now in its eighth year, is held in honour of the late Adebayo Adedeji, a Nigerian economist and academic. This year's theme was, “Role of higher education and human capital development in Africa's

transformation”.

The professor said that governments and policy makers across the continent must invest in Africa's greatest asset – the youth.

The ECA's Youth Economist Network programme, Zeleza continued, is a key way in which Africa can invest in its youth dividend.

The think tank takes over 800 young African economists across 29 countries and 72 universities across the continent and teaches them macroeconomic research and modelling.

“The YEN programme represents a crucial link between the need for home-grown academic talent and the outcome for policy formation that is required for the mobilisation of financial resources and to generate inclusive and sustainable growth in Africa,” said Zeleza.

The group has been working on a project to develop macroeconomic models that can stimulate double digit annual growth to achieve the sustainable development goals (SDGs) by 2030.

“But this is only the tip of the iceberg if we are to achieve the Africa we envision – we need a

group working on models to support scaling up public financing and blended financing approaches to address the longer-term effects of the pandemic,” Zeleza said.

The professor said that Africa's ability to mobilise domestic resources and drive lasting change is still constrained despite rising growth rates across the continent before Covid-19.

The pandemic has reversed progress made over the last decade, “exacerbating the challeng-

es that Africa continues to face.

However, Africa's youth is optimistic and ambitious, Zeleza said.

Asked whether he believed there should be a penalty for arts students and incentives for young people to study STEM degrees, he said learning the skills to manage life was as important as knowledge.

He said prioritising STEM skills only was a misguided narrative. “We need our students to be able to have content knowledge



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of any discipline but also develop a mindset and habits of thought to enable them to continually learn.

“The jobs are changing so fast that what they learned today in terms of content is going to be irrelevant 10 years from now. Those skills of learning and how to learn are imparted by the liberal arts.

“We need the combination of very high quality liberal arts education and high quality STEM education and find the intersection that brings the two together. You need to find students who can do physics, but who can also do fashion. We should not have this attitude of putting one on a pedestal and others below it.

“Education is no longer is something you do when you are young and forget. It is for life. We need programmes to impart life-long learning skills and capacity.”

Those skills of learning and how to learn are imparted by the liberal arts



Give the youth a chance to build a better Africa

“We are here, we are ready! give us a chance to help improve Africa for the betterment of both current and future generations to come.”

These were the stirring words of a member of the new ECA Young Economist Network (YEN) programme run by the African Institute for Economic Development and Planning (IDEP), South African economics masters student Zenzele Mwansa Pahla.

Phala said she wanted to share her view of the kind of Africa young people envisioned.

“Despite rising growth rates enabling some progress in poverty reduction, infrastructure development, health and ed-

ucation outcomes, our ability to mobilise domestic resources remained limited.

“Not only has the pandemic reversed any progress we had made, but it has also exacerbated the challenges that Africa continues to face. Therefore, more than just recovery, the youth in Africa are calling for a change to the status quo.”

We envision an Africa where our parents no longer have to rely on traditional fuel for cooking and have access to modern, reliable, and sustainable energy; an Africa that prioritises the health and well-being of her people by improving access and affordability to healthcare

We see an Africa where our capabilities are nurtured through equitable access to quality education

and developing skilled African health professionals so that we can become leaders in medical advancements for the diseases that affect our continent.

“We see an Africa where our capabilities are nurtured through equitable access to quality education up to tertiary level for all of us, where our skills are harnessed to support innovation in technology, climate change and financial instruments.

“We see an integrated Africa with developed capital markets along with supportive physical and technological infrastructure.

“We want to see an Africa that values the capabilities of women and girls and recognises the unpaid care burden that restricts our opportunities to pursue productive learning and employment.

“To achieve this vision, it is paramount for governments and policymakers across the continent to rely on locally produced knowledge by investing in Africa’s greatest asset - the youth.”

The YEN brings together more than 800 young African economists across 29 African

countries and 72 universities. It aims to harness Africa’s youth by training and empowering a new generation of highly skilled economists in macroeconomic research and modelling.

The group is already working on a project to develop macroeconomic models to simulate double digit annual growth to enable us to achieve the Sustainable Development Goals by 2030. But, she said, this is just the tip of the iceberg. Africa needs groups working on solving many other of its problems.

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Ismaël Lô brings sweet sounds to the ECA event



Famous Senegalese musician Ismaël Lô entertained delegates at the ECA Council of Ministers conference in Dakar this week at the conference centre in Diamniadio.

Often described as one of the finest voices to ever come out of Senegal, this global star has kept a low profile in recent years, and it was a treat for Africans from all over the continent to have a taste of his music, often described as a blend of Senegalese mbalax, reggae and ballads.

His last album, *Sénégal*, was recorded in Dakar, Paris and London in 2006.



Les ODD joueront un rôle clé dans la relance africaine



Lors de la dernière table ronde de haut niveau de la Conférence des ministres des Finances africains (CoM), plusieurs d'entre eux sont revenus sur leurs expériences dans la réalisation des ODD (Objectifs de Développement Durable), alors que les budgets sont de plus en plus réduits à la suite de la pandémie de Covid-19.

Hanan Morsy, secrétaire générale adjointe à la CEA (Commission Économique pour l'Afrique), a néanmoins indiqué que les États ont toujours plusieurs possibilités pour mettre en œuvre les ODD tout en évitant le surendettement.

« Cette table ronde ministérielle arrive à un moment crucial de la conférence. Toutes les discussions qui se sont tenues auparavant sont liées à la réalisation des ODD », a-t-elle fait remarquer.

Parmi les solutions proposées pour faire face au retard con-

sidérable pris sur l'Agenda 2030, Hanan Morsy souhaite étendre l'Initiative de suspension du service de la Dette (ISSD) de deux ans, pour laisser aux pays le temps de se reconstruire financièrement.

Tout comme le président du Sénégal Macky Sall la veille, Morsy a insisté sur l'importance d'octroyer davantage de DTS (Droits de tirages spéciaux) aux pays en retard de développement. En 2020, la part de l'Afrique dans l'attribution totale de DTS était seulement de 5%.

Hanan Morsy a également fait appel aux membres du G20 pour que les pays à revenu moyen soient inclus dans l'organisation.

« Beaucoup des crises auxquels nous faisons face n'ont pas été provoquées par les pays du continent africain », a-t-elle fait observer.

La pandémie de Covid-19, la crise en Ukraine et le réchauffement climatique affectent

plus sévèrement l'Afrique que n'importe quel continent, et les pays africains dépendent trop souvent de l'action, ou de l'inaction, des grandes puissances économiques.

En plus des institutions internationales, Hanan Morsy a rappelé que le secteur privé doit prendre plus de place dans le financement des ODD. « L'ampleur du défi nécessite un modèle de financement pluripartite où l'arrivée de capitaux privés prend une place prépondérante », a-t-elle déclaré. Pour ce faire, des programmes de financement mixtes incluant secteur public et secteur privé permettront une diminution des risques liés à l'investissement en Afrique.

Un autre outil innovant avancé par Hanan Morsy est la mise en circulation d'obligations vertes pour soutenir le financement de projets visant à combattre le changement climatique, un des ODD.

De son côté, Ibrahima Cheikh Diong, directeur général du Groupe de la Mutuelle panafricaine de gestion des risques (ARC), a déclaré que « la pandémie nous montre que des compétences en gestion de crise sont essentielles pour protéger la vie et les ressources des communautés vulnérables. Gouverner c'est anticiper et prévoir un plan d'urgence pour une réponse appropriée. »

« La voix africaine doit être unie dans la résilience, l'adaptation et l'atténuation ». Il compte sur les ministres des finances africains « pour faire entendre cette voix à la COP27 qui se tiendra en Égypte à la fin de l'année ».

Plusieurs ministres se sont exprimés sur les difficultés rencontrées dans la réalisation des ODD au cours de l'année passée, et ont également partagé les réformes engagées dans leurs pays respectifs.

Par exemple, « en réaction à la pandémie, le Rwanda a investi massivement dans son système de santé pour affronter les prochaines crises sanitaires plus sereinement », a résumé Claudine Uwera, ministre en charge de la Planification économique du pays.

Seedy Keita, ministre des Finances et des affaires économiques de la Gambie et João Mamadu Fadia, ministre des Finances de la Guinée-Bissau, étaient également présent.

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Reflections on the 54th CoM

A key outcome of the 54th session of the Conference of African Ministers (CoM) was that the international financial system “may have to be readjusted”, said Vera Songwe, Executive Secretary at UNECA.

“We have talked at length about the international financial system which may have to respond to the constraints, challenges and needs of our respective populations,” she told delegates to bring the meetings to a close.

Songwe thanked ministers and delegates for their participation and extended UNECA's gratitude to Macky Sall, Senegal's president, for hosting the meeting.

She touched on a few key takeaways from the conference which included renegotiating special drawing rights (SDRs), boosting Africa's capital markets and working to secure more vaccines.

Said Adejumobi, Director of Southern Africa at ECA, said that a major takeaway was exploring innovative ways of financing Africa's development including strengthening the tax system in increasing domestic resources mobilisation, stemming illicit financial flows, issuing green and blue bonds, blended financing and mobilising pension funds.

The meetings showed that Africa needs to improve its macro-economic environment to create better economic opportunities, increase investments and enhance livelihoods for citizens, he said.

The director said that UNECA's budget for 2023 had been improved and he looked forward to the next meetings which will likely take place in Addis Ababa, Ethiopia.



African governments fail to allocate 15% of GDP to health

Africa should be disappointed at the failure of most governments to allocate 15% of GDP to the health sector, said Winnie Byanyima, Executive Director of UNAIDS.

“We should be angry at ourselves,” she said, referring to the failure of African governments to stick to the Abuja Declaration which was signed in 2001.

Speaking on a panel entitled ‘The Future of Health and Economic Resilience’, Byanyima

said that Africa should also be angry at the way it has been blocked by global drugmakers from producing much-needed vaccines during the Covid-19 pandemic.

The current wrangling around vaccine patents is similar to Africa’s battle to secure crucial HIV drugs after they were first created over a decade ago.

“The drugs were available in the global north well before they were available in Africa,” she said.

This underlines the need for Africa to create its own pharmaceutical and medical equipment, otherwise the continent will not secure its “sovereignty”.

However, despite the failure by most African governments to meet the threshold of the Abuja Declaration there are some examples of public-led success in Africa.

Senegal, for example, has allocated about 10% of its budget (not including debt servicing) to

The drugs were available in the global north well before they were available in Africa



the healthcare sector.

Amadou Hott, Senegal’s Minister of Economy, Planning and International Cooperation, said that the West African country has also allocated 25% of its budget to education, leading to a total of 35% for social sectors.

However, the minister said that Senegal is also looking to the private sector and public private partnerships (PPPs) to help drive more investment into healthcare while fiscal space remains limited.

The government and a private company are currently building a hospital in Saint Louis which should be “very profitable” when completed.

Awa Marie Coll Seck, Co-Chair of the WHO Commission for the Realignment of Child



Health with the Sustainable Development Goals, said that thankfully the Covid-19 pandemic has put health at the top of the development and financial agenda.

Before the crisis, the sector had been neglected in favour of investments in physical assets like infrastructure, energy and transport.

Amos Lugoloobi, Uganda’s Minister of State for Finance, Planning and Economic Development, said that it is important to use state funds efficiently to invest in healthcare programmes, arguing that shrewd planning can lead to impressive returns.

He said that Uganda is looking at increasing VAT to invest more capital in the healthcare sector.