

## INSURANCE: GROSS WRITTEN PREMIUM IN MILLION ETB AS OF JUNE 30, 2022

Bunna Insurance: ↑  
45 (24%)

Lion Insurance: ↑  
63.9 (8.1%)

Nib Insurance: ↑  
173 (3.7%)

Nile Insurance: ↑  
227 (43%)

Nyala Insurance: ↑  
263 (35.3%)

## ECA'S ECONOMIC REPORT ON AFRICA/ERA 2023: BUILDING AFRICA'S RESILIENCE TO GLOBAL ECONOMIC SHOCKS

By our staff reporter

Climate-induced catastrophic events have led to severe humanitarian crises in Africa. Between 2000 and 2022, a total of 407.5 million people in Africa were affected by natural disasters. During this time, 4.2 million people became homeless, 53,610 people died and 52,205 were injured.

This is according to the Economic Report on Africa 2023 (ERA2023) which will be launched on December 18, 2023, in Abuja, Nigeria.

Titled: "Building Africa's Resilience to Global Economic Shocks", the report shows that climate shocks generally are highly correlated with the cyclical component of GDP growth and not with the long-term trend in Africa, which suggests that part of the volatility observed in growth emanates from climate-induced shocks. A temperature increase beyond a threshold of 0.7 degree centigrade results in reduced real GDP growth. At 1.8-degree centigrade change in temperature, which is expected to prevail by 2030, if current trends persist, we could expect a 2-percentage point decline in real GDP growth, eroding the benefits from positive shocks, such as commodity price booms, and amplifying the impact of negative shocks. In addition, preliminary results of the report show that the frequency of natural disasters increases public debt levels directly. A unit increase in natural disasters could lead to a 0.25 percentage point increase in the ratio of net public debt to GDP.

More significantly, climate change in Africa tends to derail poverty reduction

and, in some cases, destroy the livelihoods of millions of people that mainly rely on agriculture and small businesses. Droughts, floods, frosts, and other natural events that lead to crop failure affect the welfare of households that live in rural areas and small towns. A one unit increase in natural disaster frequency would increase the percentage of households living in extreme poverty by 4.4 percentage, says the report.

The report carries important lessons regarding how African countries must incorporate climate change in the design and implementation of their long-term growth strategies. The report calls among other for a development strategy for countries that "leverage

their natural resource endowments in a manner that stimulates economic growth while gradually reducing the intensity of carbonization associated with economic activity, especially production, transport and consumption". This requires embracing green industrial policy at the core of the design and implementation of national development strategy.

To finance this sustainability transitions, the report recommends the issuance of green and blue bonds which can exclusively direct financing to projects with climate and environmental outcomes aligned with Sustainable Development Goals (SDGs). The debt-for-nature swaps envisage climate and nature transactions with positive environmental impacts

and can also contribute to Africa's debt sustainability and provide countries with additional fiscal space to invest in climate resilience and adaptation actions. The development of a mechanism which would facilitate debt buybacks and re-issuance at cheaper rates would be a key factor in allowing countries to sustainably restructure expensive existing debts and enable investment of savings in climate resilience.

Currently, ECA supports the operationalization of the Sustainable Debt Coalition initiative, which upholds these financing mechanisms to assist in addressing Africa's debt management challenges.

### Currency outside banks ...

Continued from page 1

assessment, the COB decreased by 2.2 percent over the specified time, standing at 169.5 billion birr, in comparison to the previous quarter, or the 4th Q of the 2021/22 fiscal year. But the second and third quarters have witnessed significant increases.

The second and third quarters' COBs climbed by 18.6% and 9.5 percent, respectively, compared to the previous quarters, according to the NBE review. When the government began the note demonetization in the first quarter of the 2020/21 fiscal year, the COB was just 64.6 billion birr, a severe decrease of 29.3 percent from the 109 billion birr of the fourth quarter of the 2019/20 fiscal year.

To achieve 108 billion birr, or a 67.5

percent increase over the first quarter, it has, nonetheless, nearly equaled the previous peak position in the second quarter of the same fiscal year.

Mamo E. Mihretu, the governor of NBE, met with representatives of the financial industry for the first time since taking office around a year ago, he said that during the first half of the fiscal year 2022/23 that ended on December 31, 2022, COB climbed by 27 percent to reach 189 billion birr.

He went on to say that this statistic illustrates the abundance of resources available in the market for financial institutions to deploy as deposits.

In his most recent interview with the state-run media, ETV, Mamo stated that

although it is assumed that currency with public will be high because the majority of the population lives in rural areas, there has been no increase over the previous five years relative to the rise in deposits.

The broad money supply, as reported by NBE, was 2.17 trillion birr at the end of the fourth quarter of 2022/23, with a 26.6 percent annual rise primarily attributable to a 26.6 percent expansion in domestic credit and a 9.2 percent increase in other items net, which countered a 43.7 percent contraction in external asset (net).

The fourth quarter of the previous fiscal year similarly saw a decrease in bank new loan disbursements.

During the review quarter 113.5 billion birr in fresh loans (including CBE's bond purchase) were disbursed; this was a 34.5 percent or 58.6 billion birr year-over-year reduction while 172.1 billion birr was the fresh loan disbursement in the fourth quarter of the 2021/22 fiscal year.

### Finance Ministry dispels ...

Continued from page 1

Prior to the meeting, representatives of the aforementioned SOEs, Ethiopian Shipping and Logistics and Ethio Telecom, submitted their concerns on a well-reasoned basis.

Based on the specifics of their operations, the representatives conveyed their grievances on the proclamation.

They asserted that there was agreement on the matter at the time of the original draft proclamation, and that the inclusion of SOEs in the text was not specified.

The Public Procurement and Property Authority's Director General, Haji Ebsa, stated that the proclamation's primary goal is to make SOEs more profitable, globalized, competitive, fast, and of high quality, "We take into account their goals and demands under the upcoming proclamation."

Haji reminded that the nation's procurement system has been degraded on an international scale in accordance with the Public Expenditure and Financial Accountability (PEFA) and the Methodology for Assessing Procurement Systems (MAPS) evaluations of the foreign partners.

"SOEs are public properties that should be governed on the proclamation," he stated, adding, "But according to the nature of their activities, they would operate on directives they are issued with."

He emphasized that the MoF is ultimately the

higher authority responsible for monitoring and safeguarding public businesses.

"Majority of SOEs require a guarantee from MoF to access credit, and the ministry would be responsible for paying if they fail to settle their loan," he underscored elaborating that without the guarantee that SOEs would not function outside of the law.

"We recognize that misunderstandings accounts for the majority of the concerns expressed by the SOEs. The idea behind the proclamation is to have solid laws rather than jeopardize the operations of state businesses," State Minister of MoF Eyob Tekalegn said at the session.

He said that the proclamation contained clauses that would maintain the SOEs' operations.

According to Habtamu Menesha, MoF's Legal Advisor, foreign rating agencies have questioned the nation's procurement system in relation to the PEFA assessment.

"They did contend that our scattered procurement system is not acceptable at the international trend, which is the reason for our rate to stand at C+. Therefore, if the nation has a harmonized legal framework it shall improve on its rate," Habtamu cited.

The main goal of including SOEs in the proclamation, according to the MoF's legal advisor, is to make the procurement proclamation acceptable worldwide since,

unlike us (Ethiopia), "Other countries have harmonized single legal frameworks." For SOEs and other budgetary offices, it is not distinct.

In Ethiopia, SOEs have a procurement directive that is endorsed by their board of directors and varies depending on the entity.

The legal expert said the World Bank, among others, gave Ethiopia a very low grade because of this practice.

"This has its own negative impact in terms of value for money, transparency, accountability, and other internationally accepted measurements," Habtamu further explained citing that the country's procurement legal framework is yet to be harmonized.

"Partners have advised us to make the necessary corrections, and we have also determined that it needs to be done since the majority of the SOE's procurement directives closely resemble the budgetary offices' procurement law and system," he continued.

According to him, the threshold is the only distinction that can be seen because SOEs are in charge of managing enormous resources.

"SOEs can engage in both direct and restricted procurement in addition to open bidding. In all other respects, they are run according to the same rules as other public offices. It can be harmonized as a result," he affirmed.

The primary goal of the new proclamation, according to authorities and MoF officials,

is to regulate SEOs within the law in response to the criticism that the nation faces. The legal procurement framework will be unified and broadly accepted, rather than affecting state-owned enterprises, restricting their operations, or jeopardizing their profitability.

The authorities asserted that the proclamation has provisions that let enterprises use their particular directives, which is issued by their respective governing board to have plenty of room to grow and expand. To this end, Habtamu cited the draft proclamation's articles 87.3 and 4, which spoke about SOEs having the authority to provide orders for their purchases.

Experts claim that improved ties with foreign allies would result from the nation's central government adopting a uniform legal framework.

"If our legal system were more unified, lenders, including those that SOEs use would be more willing to lend money," the legal advisor told Capital.

"This is one of the advantages we would have when the procurement system had a centralized design. The country's international rating will also improve if we address the issue's pitfall," he added.

According to Habtamu, "A stronger procurement system would mean that the nation would receive the most from its partners," and that, "SOEs would also receive more trust from their partners."

According to the State Minister, the designed new law "will support them rather than have a negative effect" on the SOEs.



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