FINANCE MINISTRY DISPELS ...
By our staff reporter

Climate-induced catastrophic events have led to severe humanitarian crises in Africa in 2022, and 2023, a total of 407.5 million people in Africa are affected by natural disasters. During this time, 4.2 million people remained 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 components of GDP growth and not with the long-term trend in Africa, which means that part of the volatility observed in GDP 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 2050, 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 significantly impacting the rate of growth. In the first quarter 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 rely on agriculture and small businesses. Droughts, floods, frosts, and other natural events that lead to crop failures 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 percent, 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 approach calls among others 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 dependency associated with economic activity, especially production, transport and consumption.” This requires an industrial policy at the core of the design and implementation of national development strategy.

To achieve 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-related nature transactions with positive environmental impacts and can also contribute to Africa’s debt relief and provide countries with additional fiscal space to invest in climate resilience and adaptation actions.

The implementation of a mechanism which would facilitate the issuance at cheaper rates would be a key factor in allowing countries to sustainably reduce their debt and enable investment of savings in climate resilience.

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

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Prior to the meeting, representatives of the aforementioned SOEs, Ethiopia Shipping and Logistics and Ethio Telekom, 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 Morkor stated that the proclamation’s primary goal is to promote transparency, globalized, competitive, fast, and of high quality. “We take into account their goals and demands under the impending 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 (APS) evaluations of the foreign partners.

“SOEs are public properties that should be governed on the basis of the law and, stated, “But according to the nature of their activities, they would operate on directives and regulations.”

He emphasized that the MoP is ultimately 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 mechanisms that would maintain the SOEs’ operations.

According to Habtamu Melesha, MoP’s Legal Advisor, foreign rating agencies have questioned the nation’s policy in relation to the PEFA assessment.

They did contend that our scattered procurement system is not acceptable to international standards, which is the reason we are considered at C- or C+”. Therefore, if the nation has a harmonized legal framework it shall improve on its rate,” Habtamu cited.

The main purpose of including SOEs in the proclamation, according to the MoP’s legal advisor, is to make the procurement process fulfill acceptable worldwide, since the country needs to be rated S2 in the coming years.

The primary goal of the new proclamation, according to authorities and MoP officials, is to regulate SOEs within the law in response to the criticism that the nation faces. The legal procurement framework will be unified and broadly accepted, thus enabling SOEs to establish their own procurement systems, or jeopardizing their profitability.

The authorities asserted that the proclamation further explained how SOEs will have to use their particular directives, which is issued by their respective governing bodies to have plenty of room to grow and expand. To this end, Habtamu cited the draft proclamation’s articles 47, 47 and 4, which spoke about SOEs having the authority to provide orders for their entities.

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 is well defined and transparent. 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 require the nation to receive the most from international rating agencies, and it will receive more trust from their partners.

According to the State Minister, the proclamation will support them rather than have a negative effect.