Economic Commission for Africa

African Ministers of Finance, Planning and Economic Development

Draft communiqué

Financing the African post-pandemic recovery

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We, African ministers of finance, planning and economic development, meeting in Dakar on 16 and 17 May 2022 during the fifty-fourth session of the Economic Commission for Africa, recognize the need for higher levels of financing for recovery following the coronavirus disease (COVID-19) pandemic and for the achievement of 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. The recovery of African economies could be restrained by the surge in food, oil and fertilizer prices caused 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, rising debt and increased borrowing costs.

We note that 640 million Africans lack access to electricity, underscoring the need to invest in energy infrastructure, including appropriate generation, transmission and distribution capacity. There is also a need to invest in gas generation capacity to facilitate the transition towards renewable electricity generation based on least-cost models for energy grid expansions.

We note that the required annual expenditure for the continent related to the Sustainable Development Goals is expected to rise by $154 billion annually. An annual investment of between $130 billion and $170 billion will be needed for infrastructure projects, while about $66 billion will be needed annually for investments in African health systems and health infrastructure. Furthermore, over $3 trillion will be needed by 2030 for mitigation and adaptation measures to address the challenges of climate change.

We commit ourselves to expanding efforts to mobilize domestic resources through effective tax policies, savings and the use of other innovative mechanisms, such as sovereign wealth funds, diaspora bonds and remittances, to support development projects. We also commit ourselves to adopting and implementing policies that create an enabling environment to attract private sector and institutional investors, to foster the use of financial instruments, such as blended financing, capital markets, pension funds, sovereign wealth funds, bonds linked with the Sustainable Development Goals, green financing, project bonds, guarantees and risk-reducing instruments, among others, and new incentives to reduce the cost of credit. We further commit ourselves to directing these resources towards priority areas, including infrastructure, health, education and climate change. We commit ourselves to stepping up our efforts to design and implement credible macroeconomic frameworks to foster productive capacity, reduce transaction costs and promote structural transformation.

We are deeply troubled by the illicit financial flows being siphoned out of the continent, which are estimated to amount to at least $83 billion annually, denying Africa of significant resources that could be used to provide for the needs of its people. We have therefore agreed to accelerate our efforts to pursue comprehensive and unambiguous tax policies to combat tax-motivated illicit financial flows, strengthen legal and law enforcement systems and bring together national agencies whose work is essential to stemming such flows. We are also determined to strengthen or establish, within our tax administration structures, various mechanisms to prevent tax avoidance and evasion, trade misinvoicing and mispricing, money laundering and corruption, among other such practices, to boost tax revenue. In that regard, we request the Economic Commission for Africa to continue to provide technical assistance and advisory services to its member States to strengthen their tax administration capacity, increase tax revenue and combat illicit financial flows in order to increase domestic resources for development.

We are concerned that the war in Ukraine has contributed to rising prices for food, crude oil and fertilizer in African countries, with no less than 29 countries set to experience severe food crises. In the short term, we will be focusing on filling import gaps created by the crisis in agricultural and other markets. We have agreed to establish social safety nets to support vulnerable populations that have been disproportionately affected by the crisis, to ensure adequate access to essential goods and staple products, and to act collectively, avoiding ad hoc responses to the crisis, to ensure the free flow of goods in international markets. We encourage African countries that are net food importers to diversify their sources of supply, including through domestic production, the release of existing food stocks and the diversification of import sources. We also urge oil-exporting countries to take advantage of the windfall from oil exports to support economic recovery and replenish their policy buffers. We agree to invest in renewable energy products in the medium term to reduce dependence on foreign oil and gas. We request the Economic Commission for Africa to provide technical assistance and advisory services to African countries to respond to the growing negative impact of the war in Ukraine on their economies and to explore the opportunities that the conflict offers in agricultural and industrial production for African countries.

We propose to use 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 productive capacity and resilience against external shocks. We recognize that the full implementation of the Agreement Establishing the African Continental Free Trade Area also has the potential to contribute to the acceleration of inclusive and sustainable development in Africa and to boost collective gross domestic product by $55 billion by 2045. We therefore urge African countries that have ratified the Agreement to align their national development plans with it, and we urge those countries that have not ratified it to do so. We also encourage the private sector to take full advantage of the Area to increase value addition, promote economies of scale and expand their businesses.

We commend the African Export-Import Bank on launching the Pan-African Payments and Settlement System to support the operationalization of the Area, enabling instant, cross-border payments in local currencies between markets on the continent by simplifying cross-border transactions and reducing high transaction costs and dependence on hard currencies for such transactions.

We reaffirm that African countries are the most vulnerable to climate change while contributing the least to global greenhouse gas emissions. We call upon development partners and multilateral and regional development banks to support African countries in securing adequate climate financing so that they can adapt to and mitigate the growing impact of climate change and to ensure that they undertake investment in low-carbon, climate-resilient development paths, including energy transitions, sustainable infrastructure and improved agricultural and land-use practices.

We 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. We further recognize that the peatlands of the Congo basin alone are the second largest carbon sink in the world. We note that African countries have the potential to raise significant revenue and to benefit from high-impact adaptation initiatives that can help to develop sustainable livelihoods by creating high-integrity carbon markets aligned with the principles of article 6 of the Paris Agreement. We welcome the memorandum signed between the Economic Commission for Africa and the countries of the Climate Commission for the Congo Basin, which is aimed at harmonizing regional carbon certification mechanisms with a view to generating predictable financial flows that can be invested in sustainable development priorities. We also welcome efforts to extend the initiative to other countries on the continent, which can benefit from these mechanisms, and look forward to taking advantage of such opportunities in the context of the implementation of the Agreement Establishing the African Continental Free Trade Area.

We recognize the role of vaccines in combating the COVID-19 pandemic and other health crises and we welcome efforts to scale up access to vaccines and to manufacture vaccines and other related pharmaceutical products in Africa. We commend all partners, including the Economic Commission for Africa, the African Union and the Africa Centres for Disease Control and Prevention, on their contributions to the process and urge them to accelerate or strengthen the various related initiatives, including the African Vaccine Acquisition Trust initiative, the African Continental Free Trade Area-anchored Pharmaceutical Initiative, the Centralized Pooled Procurement Mechanism, and others aimed at addressing the shortage of vaccines and reducing dependence on external sources.

We commend the Economic Commission for Africa, the African Export-Import Bank, in collaboration with the African Union and the secretariat of the African Continental Free Trade Area, on launching the African trade exchange platform, a business-to-business and business-to-government digital marketplace in support of the Area, and call upon them to accelerate the operationalization of the platform.

We are very disappointed that African countries continue to pay an "African premium", which is in essence a surcharge on borrowing from external capital markets 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 because credit risk rating agencies perceive African economies to be riskier than similar economies outside Africa. We are greatly concerned that the cost of capital for African countries may rise further as central banks in advanced economies raise their interest rates to restrain rising inflationary expectations.

We appreciate the bilateral and multilateral support provided to the continent for recovery from the pandemic, including the Debt Service Suspension Initiative and the Common Framework for Debt Treatments. Although the assistance is helpful, it has been narrowly targeted, leaving out several vulnerable middle-income countries that have received limited support, and it is grossly inadequate in terms of the needs of low-income countries.

We commend China on its decision to on-lend a portion of its special drawing rights to low- and middle-income countries and urge other bilateral donors to follow its lead, as the on-lending of $100 billion in special drawing rights to Africa would be a cost-effective means of financing the continent's recovery.

We urge the Group of 20 countries to extend the Debt Service Suspension Initiative for two additional years to help create fiscal space for urgent spending by African countries and to modify the Common Framework to make debt restructuring effective and broad-based and to include commercial creditors. We urge developed countries to support efforts to reallocate $100 billion in special drawing rights,

$60 billion of which should be allocated to the Poverty Reduction and Growth Trust and to the new Resilience and Sustainability Trust. We also urge developed countries to consider issuing additional special drawing rights while establishing mechanisms, similar to the Liquidity and Sustainability Fund, that would enable African countries to use those special drawing rights to improve liquidity, stabilize their currencies and reduce the cost of credit. We 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.

We commend the Economic Commission for Africa and the Pacific Investment Management Company on launching the Liquidity and Sustainability Facility, which would allow African countries to attract investment in so-called "sustainability-themed financial products", including green bonds. It would offer preferred repurchase agreement rates to institutional investors that refinance their special drawing right positions using green bonds as collateral. We call upon the Economic Commission for Africa to continue advocating the reform of the international financial architecture to allow African countries to gain access to resources more easily and at a lower cost from multilateral and regional financial institutions.

We call upon the International Monetary Fund to use the Catastrophe Containment and Relief Trust to offer debt service relief to poor countries and to waive extra surcharges for two to three years to mitigate the impact of the war in Ukraine. Such surcharges are expected to amount to $4 billion in 2022 and are imposed on countries with large borrowings in addition to interest payments and fees. We also call upon the 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, and to temporarily increase access limits on emergency financing until 2025, as well as issuing new special drawing rights.

We call upon development partners to replenish the African Development Fund, to support the leveraging of its equity through capital market borrowing, to recapitalize multilateral development banks, especially African public development banks, to add to the list of prescribed holders of special drawing rights and to channel a portion of the special drawing rights to multilateral development banks to support the recapitalization and financing of public development banks on the continent, increase development financing and address the looming food crisis, which has been caused, in part, by the conflict between the Russian Federation and Ukraine.

We have agreed to redouble our efforts to design and implement credible macroeconomic frameworks to boost socioeconomic transformation and strengthen infrastructure development initiatives in African countries, so as to build production capacity, reduce transaction costs and promote structural transformation. We have also agreed to scale up investments in education to support the structural transformation of our economies.

We call for the reform of the international financial architecture to allow African countries to gain access to resources more easily and at a lower cost from multilateral and regional financial institutions. We 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. We request the Economic Commission for Africa to continue to provide thought leadership and technical support in the deliberations of the high-level working group and to serve as its secretariat.

We commend the Economic Commission for Africa on successfully implementing its work programme for 2021 despite the challenges of the COVID-19 pandemic and request it to continue to provide technical support to African countries with a view to formulating and implementing innovative financing mechanisms. We also commend it on the operationalization of the African Continental Free Trade Area.

We request the Economic Commission for Africa to provide technical assistance and advisory services to African countries in their preparation 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.

We thank the Chairperson of the African Union and President of Senegal, Macky Sall, and the people of Senegal for the kind hospitality and generosity extended to us during the Conference of African Ministers of Finance, Economic Planning and Development of the Economic Commission for Africa.

Done in Dakar on 17 May 2022