



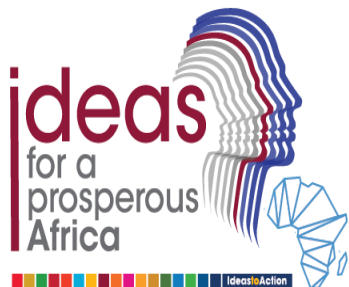
United Nations
Economic Commission for Africa

Financing the recovery of SIDS: Trends, Challenges and Opportunities

Meeting of NFPs of SIDS, St Johns, Antigua & Barbuda

Bartholomew Armah PhD
Economic Commission for Africa

August 5-6 2022

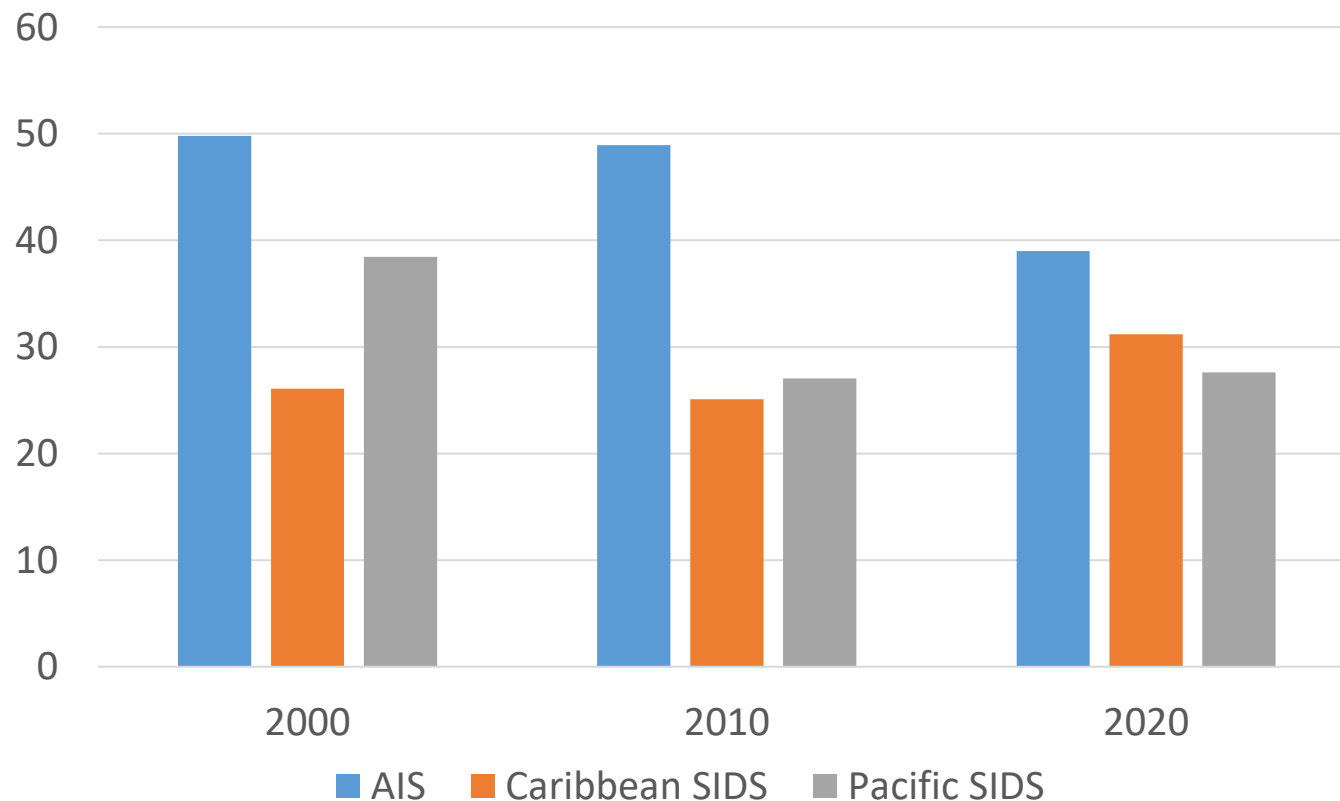


- Covid-19 and the Ukraine-Russia conflict have exacerbated the financing needs of countries
- For SIDS in particular climate change poses a serious headwind to development and achievement
- The need for concessional financing at scale is greater now than ever before
- But public financing alone is insufficient to meet the substantial financing needs of developing countries including SIDS
- Concessional and non-concessional public financing has been trending downward in the last 2 decades

But overall concessional financing in AIS and Pacific SIDS is declining

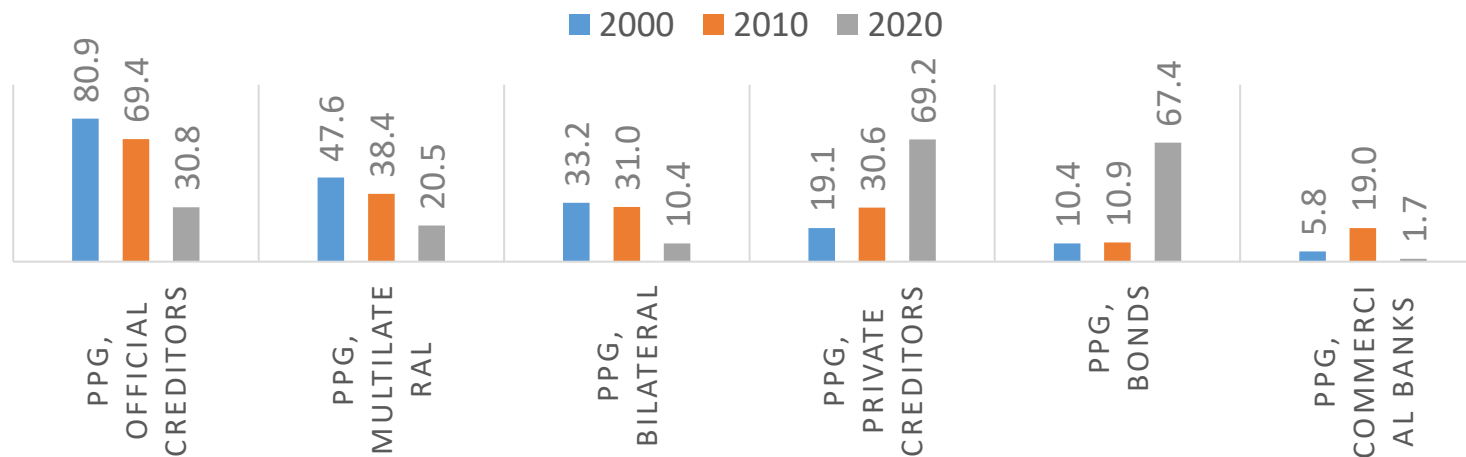


Concessional debt % of total external debt

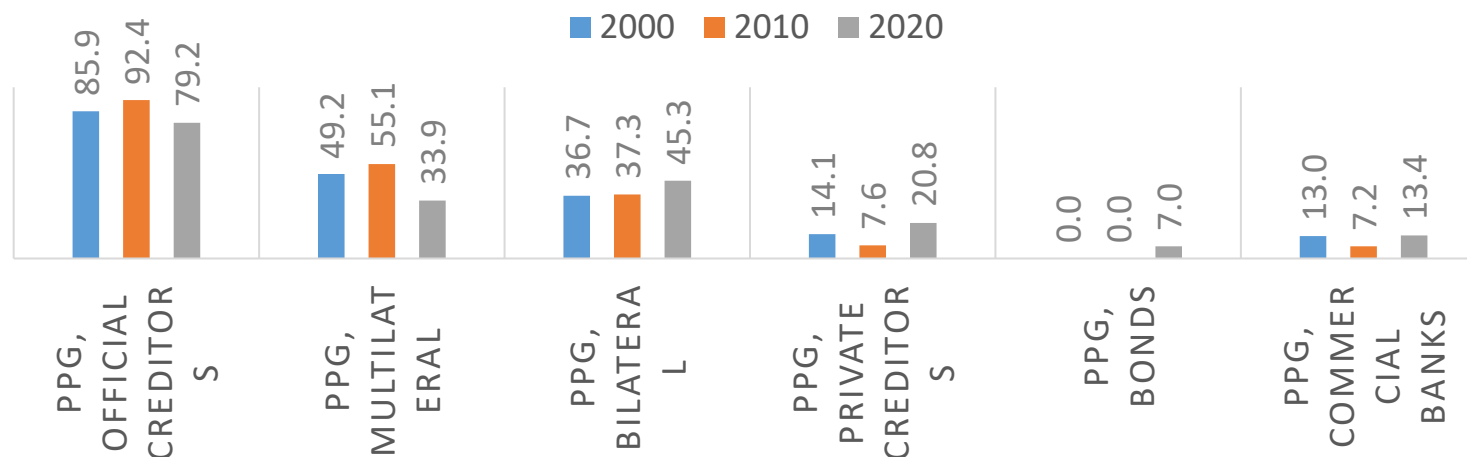


And public financing is also declining – PPG is Public and Publicly Guaranteed Credit (% of Total)

CARIBBEAN SIDS – UPSURGE IN BOND EXPOSURE



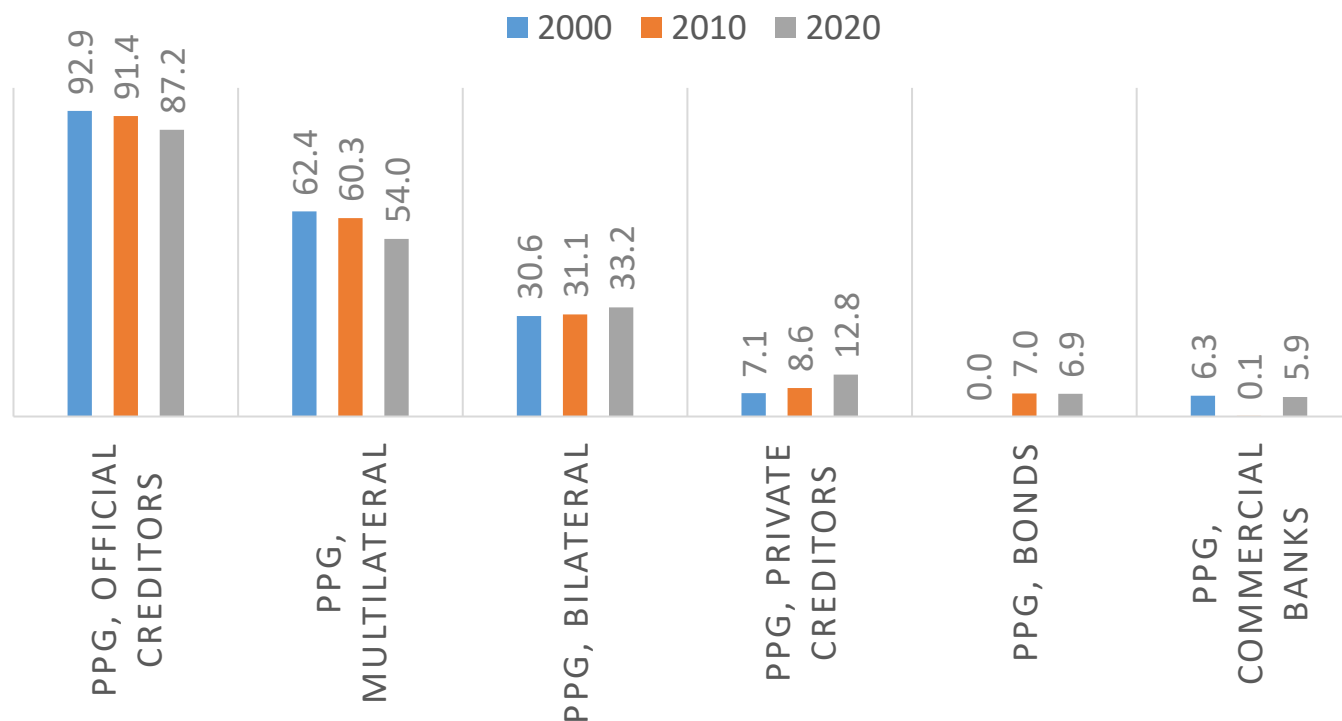
AS – RISING BILATERAL AND PRIVATE CREDIT



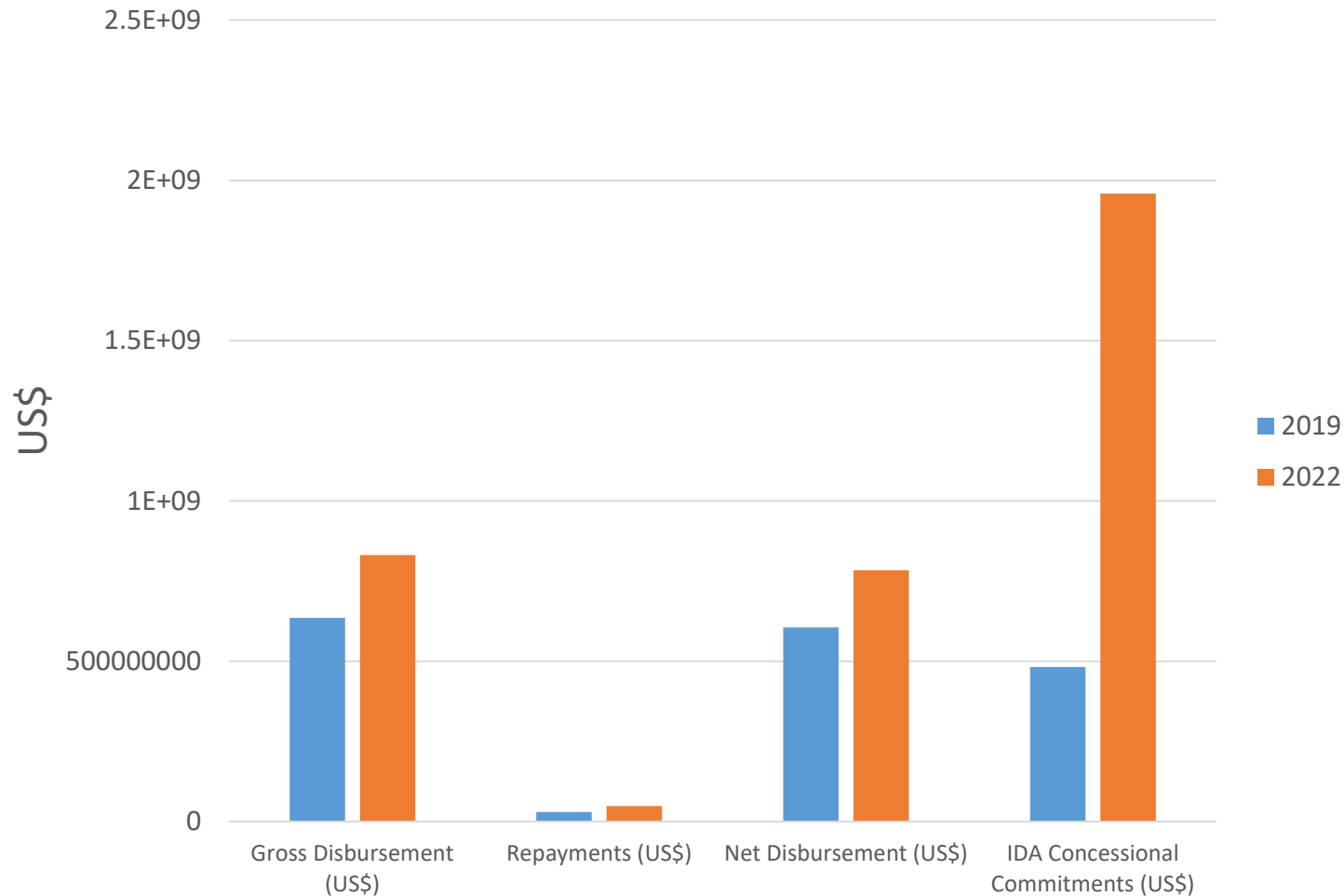
Trends in Public and Publicly Guaranteed (PPG) Credit



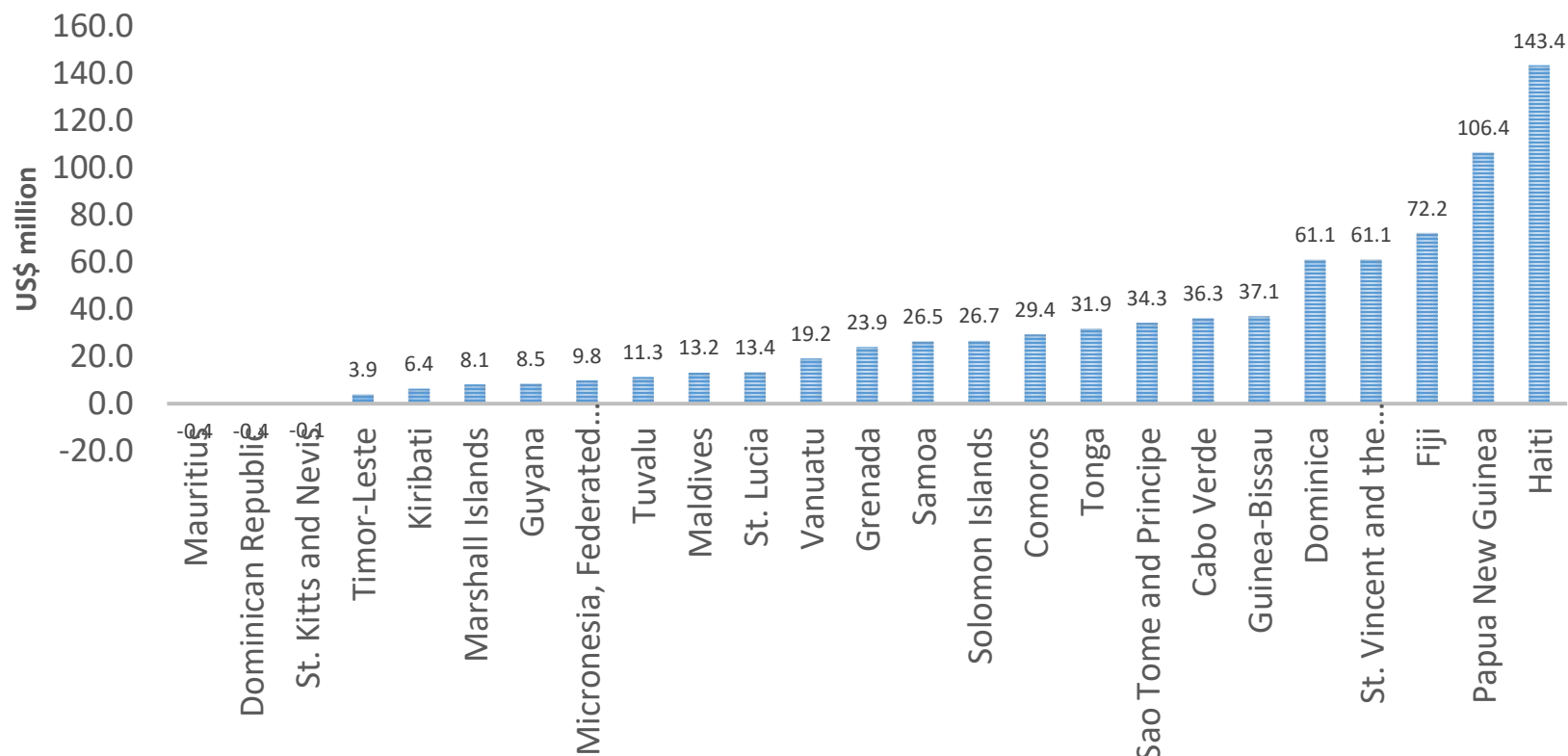
PACIFIC SIDS – MODEST BUT RISING PRIVATE DEBT



On a positive note, IDA allocations to eligible SIDS are up from pre-pandemic levels but well below their financing needs



NET IDA DISBURSEMENTS 2022



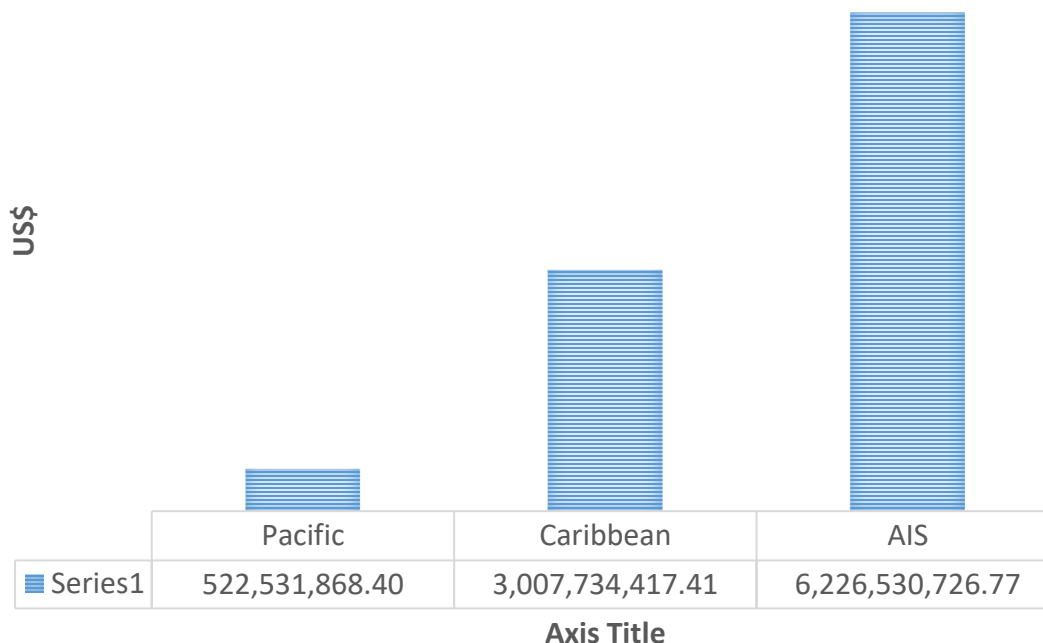
SIDS received less than 2 percent of the \$650bn allocation



- Even when large sums of public funds are availed, they disproportionately benefit rich countries
- SIDS received 1.5 percent of the \$650bn SDR allocation
- Excluding Singapore, AIS received \$910m
- Caribbean SIDS received \$3bn

SIDS share of SDR allocation (\$650bn)

SDR ALLOCATIONS TO SIDS [US\$]

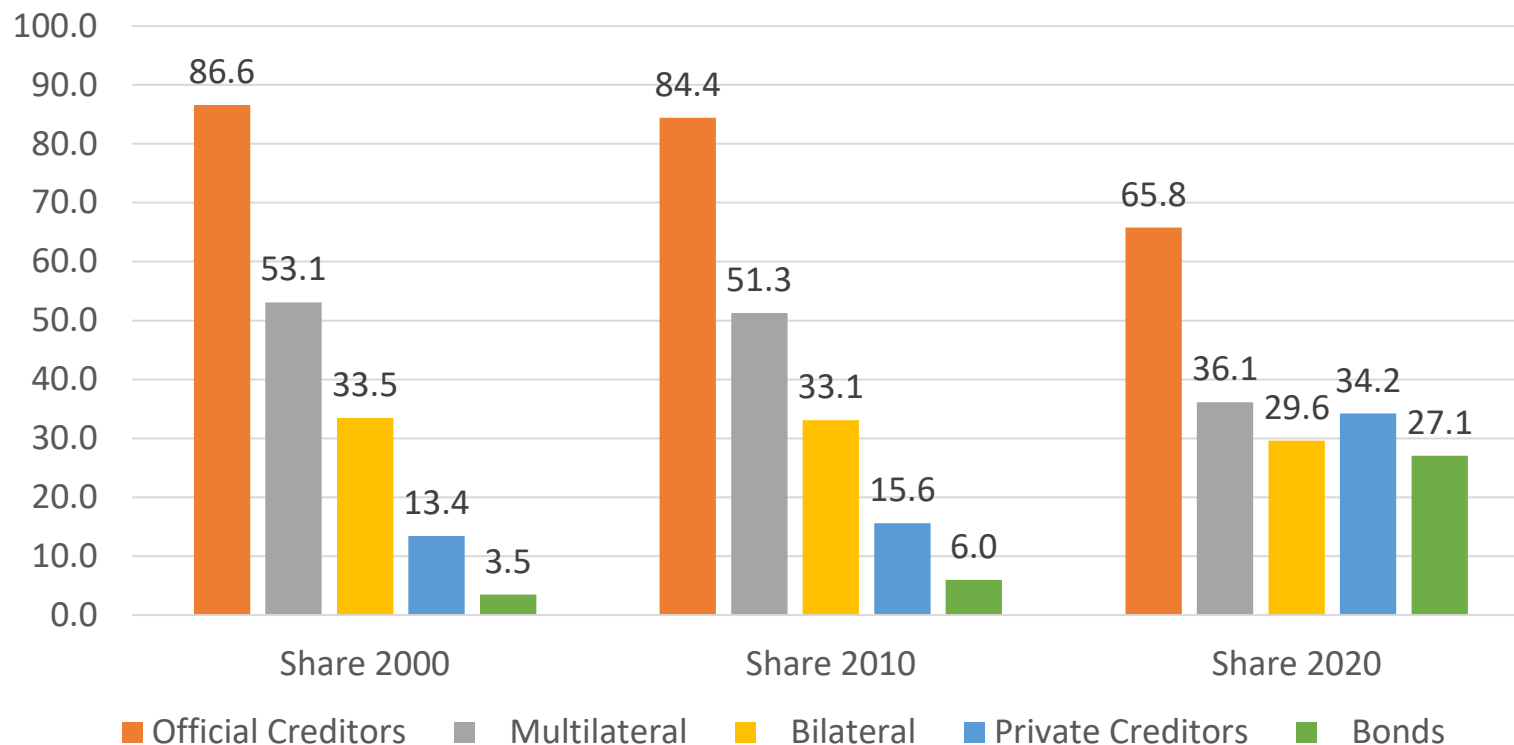


- Access to private capital is vital to address the financing needs of SIDS. But private capital is costly:
- ECA finds that African countries pay an unexplained premium of 1.7 percentage points on sovereign bonds issued on the international market
- This is even after “government effectiveness” and to macroeconomic variables is duly accounted for
- It also finds that credit ratings strongly influence the cost of credit
- This unexplained premium is likely the result of risk perceptions or misperceptions by institutional investors

Meanwhile SIDS exposure to private creditors, particularly bonds is rising



Chart Title



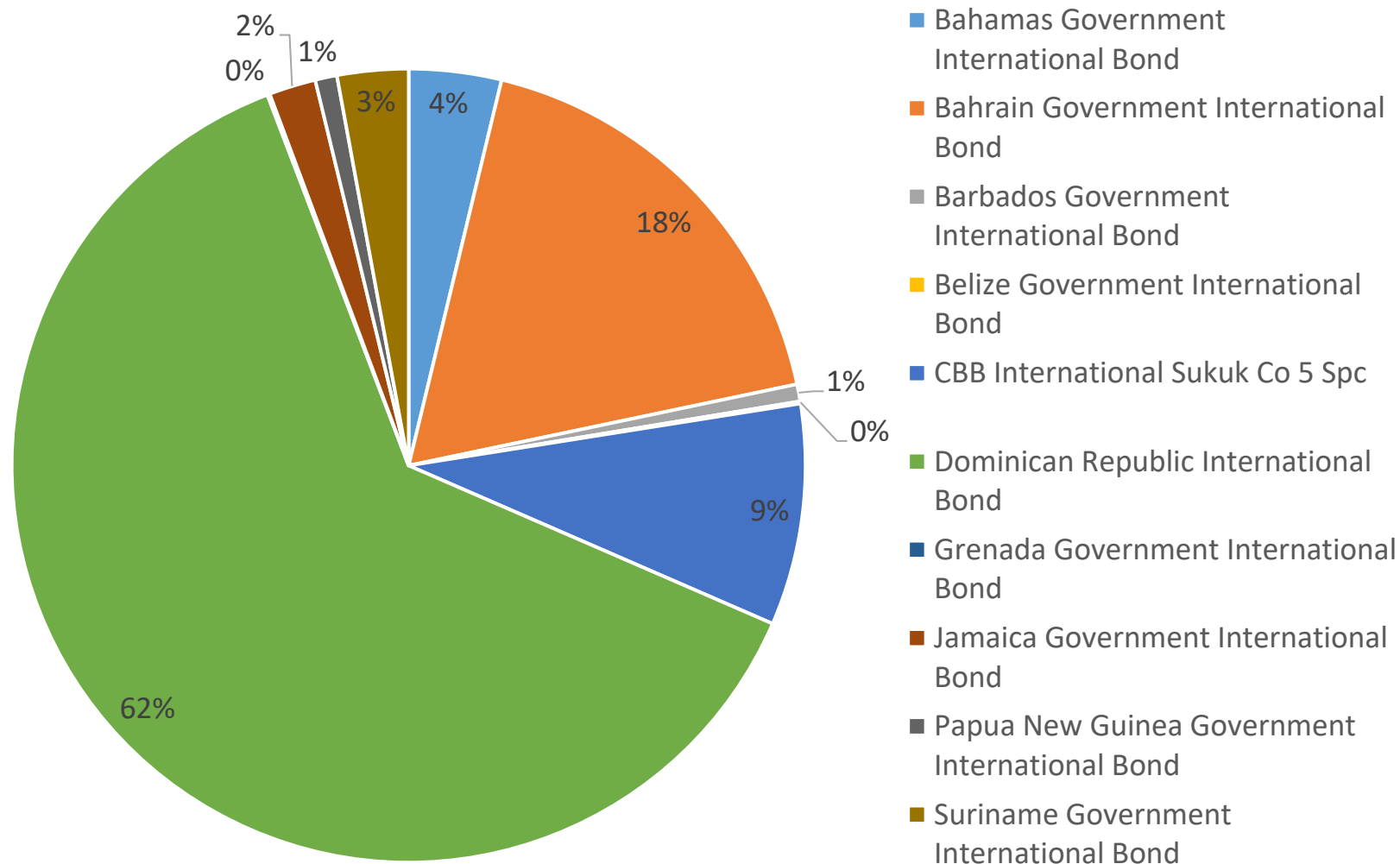
Most SIDS with international bond issuances are Caribbean

AIS	Caribbean	Pacific
<ul style="list-style-type: none">• Bahrain	<ul style="list-style-type: none">• Bahamas	<ul style="list-style-type: none">• Papua New Guinea
<ul style="list-style-type: none">• Seychelles	<ul style="list-style-type: none">• Barbados	
	<ul style="list-style-type: none">• Belize	
	<ul style="list-style-type: none">• Dominican Republic	
	<ul style="list-style-type: none">• Grenada	
	<ul style="list-style-type: none">• Jamaica	
	<ul style="list-style-type: none">• Suriname	
	<ul style="list-style-type: none">• Trinidad & Tobago	

Dominican Republic has the largest share of international bond issuances (\$47.6bn) within the SIDS category



SIDS with international bond issuances

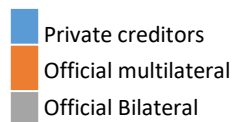
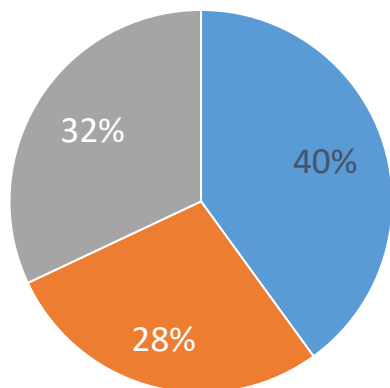


Developing countries pay a premium for capital market access



- Yield spreads are as high as 1611 basis points [Bahamas, 10yr international bond issued in 2014] and 1404 bps [Bahamas 12yr bond issued in 2020]

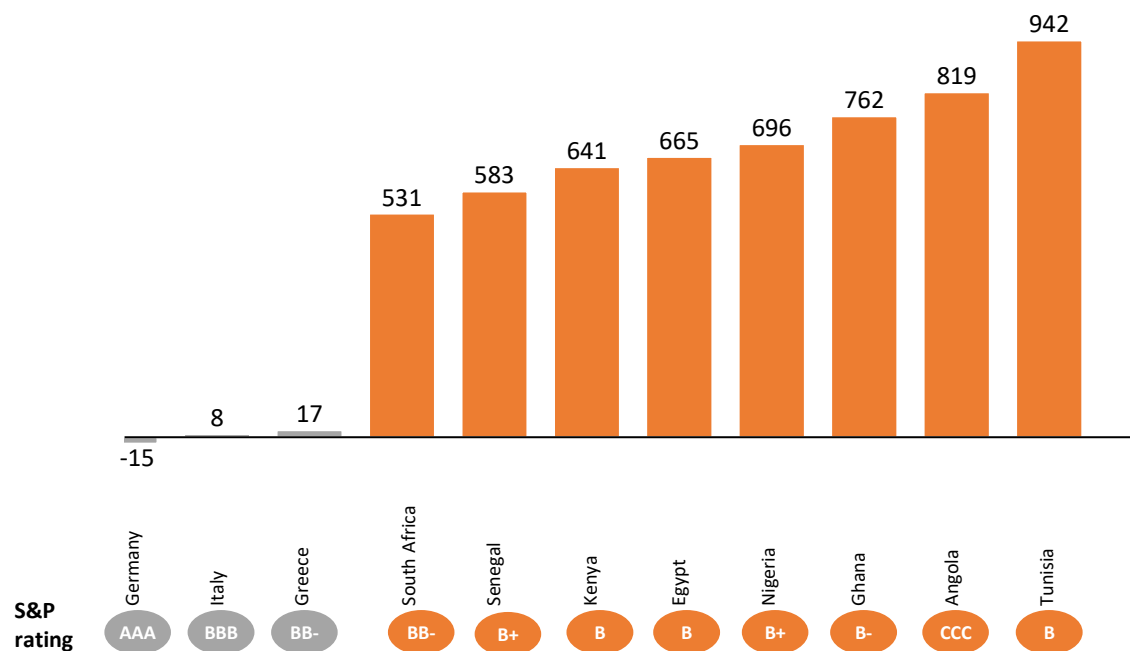
40% of African debt is held by private creditors ...



Source: 53rd session of the Economic Commission for Africa – Communique; World bank international debt statistics 2019; Bloomberg

... but costs are too high; new mechanisms are needed

Current yield to maturity on Eurobonds with ~10 years to maturity
Basis points



Developing countries pay a premium for capital market access



- Another likely source of the premium is limited liquidity of African sovereign bonds
- De-risking private capital through partial risk guarantees and by blending public resources is critical to reduce the cost of such financing

3. ECA initiatives in support of Agendas 2030 and 2063

The LSF will accomplish 5 objectives:



1 Crowd in more investors and increase demand



2 Reduce costs for borrowers through higher demand



3 Mobilise private sector capital to help close the gap



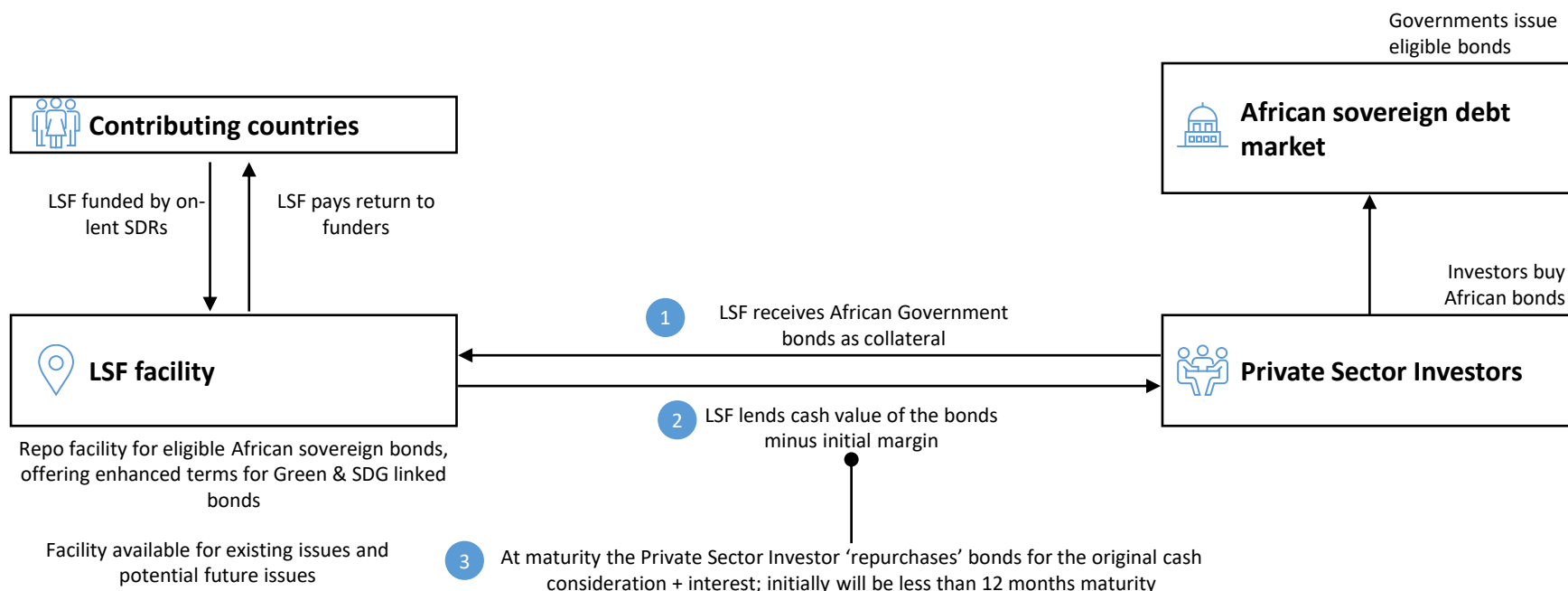
4 Incentivize sustainability linked investments



5 Support countries' graduation from PGRT and free-up capital for PGRT-eligible LICs

**We can unlock this
> by creating a Repo
Market**

Lowering the cost of private capital market borrowing through repo markets: The Liquidity and Sustainability Facility



Enhancing value for money through effective planning



- African governments have made **efforts** to:
 - **incorporate** the **SDGs** and **Agenda 2063** into national development plans in an integrated manner
 - prioritize specific targets and indicators
 - identify **government units** to coordinate their implementation.
- A review of selected NDPs of Member States shows several constraints:
 - lack a **results-based M&E system**
 - Inadequate consideration of **disaster risk**
 - Limited **scenario analysis** to inform policy prioritization
 - Inadequate spatial analysis
 - **Weak alignment** with SDGs and A2063.
 - Weak links between financing frameworks, budgets and development priorities

ECA's Integrated Planning Reporting Toolkit (IPRT)



- A tool that facilitates **alignment/integration** of A2030 and A2063 at goal, target and indicator levels (**Horizontal alignment**)
- **Simultaneously** allows for assessing the alignment of NDPs with both agendas
- Provides a basis for providing support on results frameworks and data gaps
- Reports on the **integration** of both agendas into NDPs and **identifies reasons for non-integration**
- **Reports:**
 - Assess **degree of alignment** by **sector** and **dimensions**;
 - **Tracks performance** of NDPs and assess gaps between actual performance and targets.
 - IPRT reports inform country VNR preparations

Dashboard

69.9%

SDGs Alignment

Goals = 94.12% Targets = 63.76% Indicators = 18.55%



74.52%

Agenda 2063 Alignment

Goals = 87.5% Targets = 79.89% Indicators = 34.05%



177

Indicators with Baselines

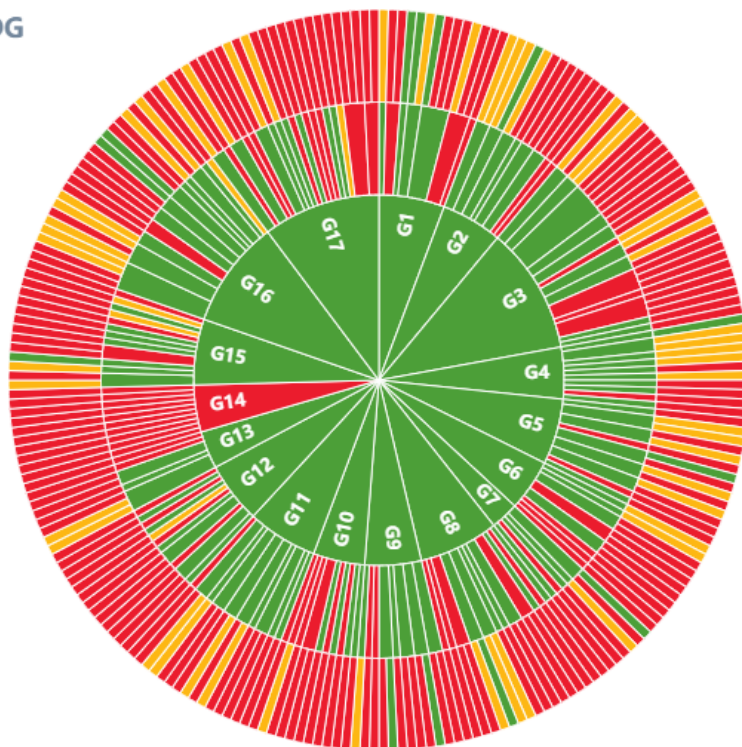
Out of 209 indicators.



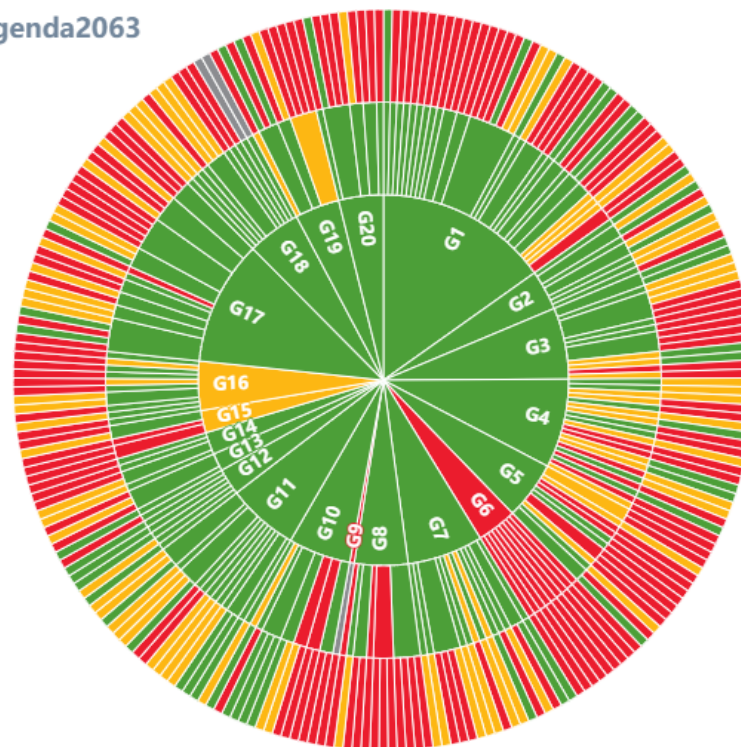
National Plan Alignment Level with SDG and Agenda 2063



SDG



Agenda2063



Fully Aligned Partially Aligned Not Aligned Not Processed

Dashboard

81.62%

SDGs Alignment

Goals = 98.53% Targets = 72.19% Indicators = 53.48%



73.6%

Agenda 2063 Alignment

Goals = 87.5% Targets = 66.09% Indicators = 50.1%



70

Indicators with Baselines

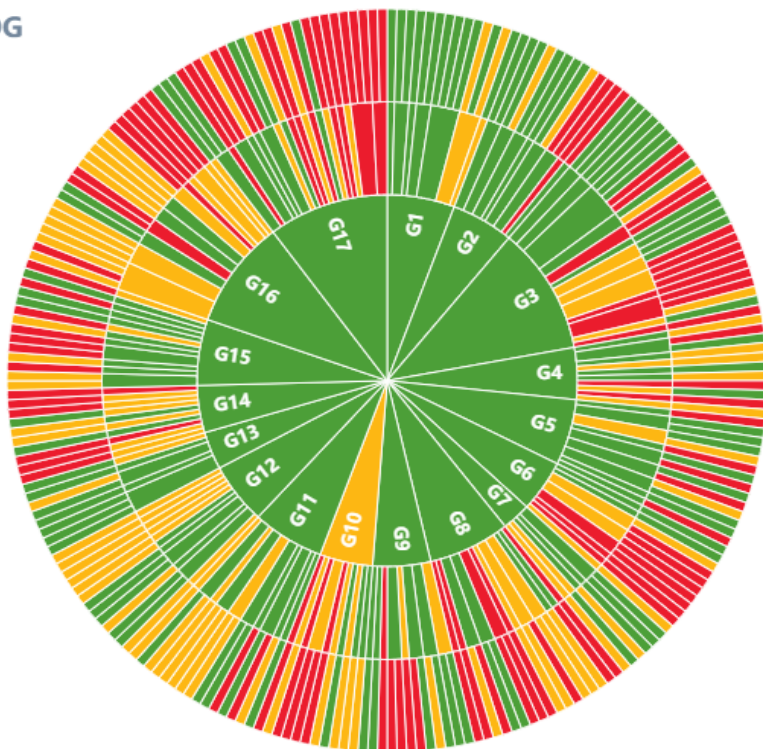
Out of 256 indicators.



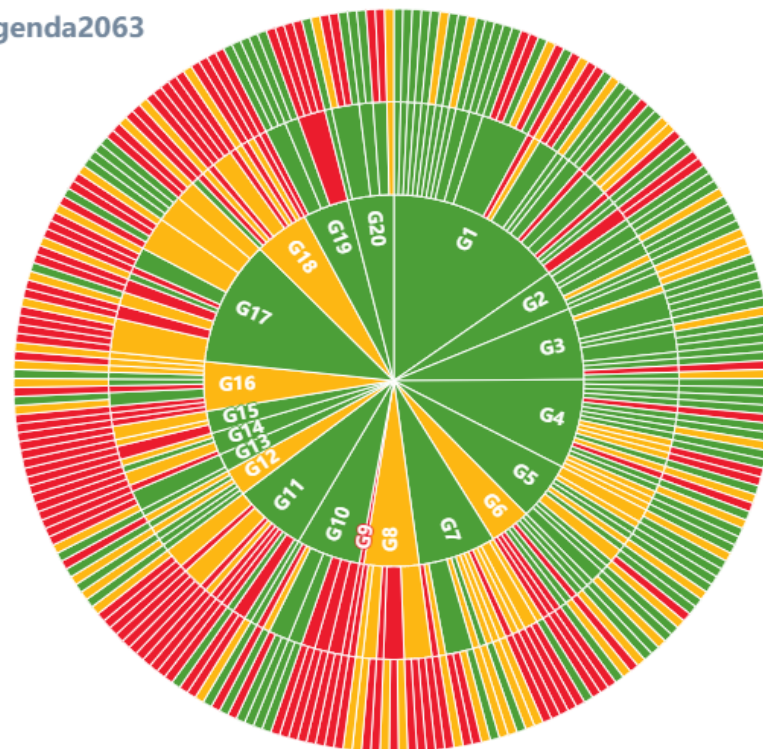
National Plan Alignment Level with SDG and Agenda 2063



SDG



Agenda2063



Fully Aligned Partially Aligned Not Aligned Not Processed

Dashboard



jihade@un.

Dashboard

Ethiopia



Growth and Transformation Plan II (GTP II)
Jan 01, 2022 - Dec 31, 2022

6 Programmes



26 Sub Programmes
Financial Framework 003

Budget



4,392,746,928.40
Local Currency - ETB

Expenditure

1,571,726,983.40
Local Currency - ETB

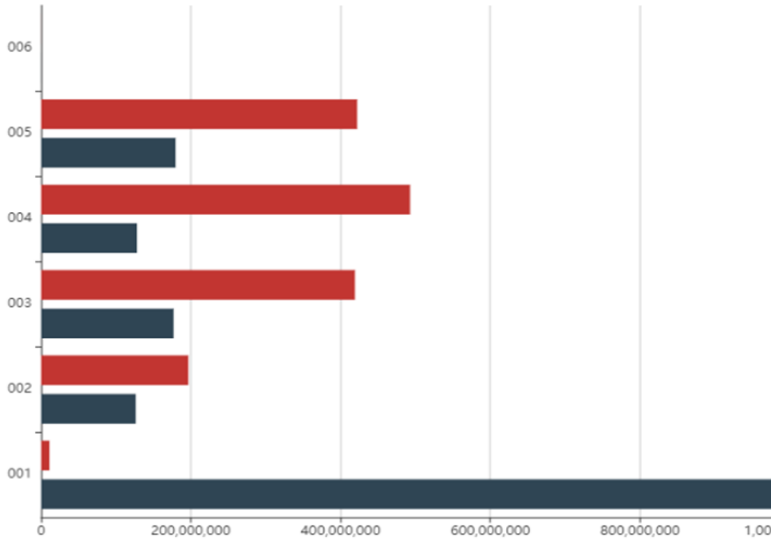
Financial Framework Hierachical representation of programmes, sub-programmes



Financial Framework

Budget vs Expenditure By Programme

Expenditure Budget



Programme/Sub-Programme Alignment view

INFF > Alignment



Growth and Transformation Plan II (GTP II)
Financial Framework 003 (Active)

Jan 01, 2022 - Dec 31, 2022

Maintain Alignment

Ethiopia



Growth and Transformation Plan II (GTP II)
Jan 01, 2022 - Dec 31, 2022

6 Programmes



26 Sub Programmes
Financial Framework 003

Budget

4,392,746,928.40
Local Currency - ETB



Expenditure

1,571,726,983.40
Local Currency - ETB



Programme 001: Administrative And Support Services

Labor & SS Education

Increased communication System
By 2023, reduction by 50% from its current position the numbe...
Promote culture in the development process
Increase Liberia's presence in international organization by 40%

Edit Alignment

Programme 002: Injustice And Corruption Prevention And Combat

Macroeconomy Irrigation

Developed local tourism
New factories established in the agro processing poarks
Emergency and disaster risk reduction response strengthened ...
Economic growth: Private sector development by Supporting e...

Edit Alignment

Programme 003: Niss Operations And Services

ICT

developed information resources management system
Intégration régionale
Increased Productivity of Stimulant Crops
Increased Supply of Agricultural Mechanization Technologies

Edit Alignment

Programme 004: Unity And Reconciliation Monitoring

Labor & SS

Deepen political and administrative decentralisation
Designed and constructed of large and medium scale irrigation...
Enhanced mineral exploration study coverage

Programme 005: Presidential Coordination And Monitoring

Labor & SS

Reduce cost from 0.36 to 0.25kwh
4. Strengthen institutional capacity of MAAIF and public agricul...
Increased informal sector registration

Programme 006: Test Programme

Gender Education Energy

Deepen political and administrative decentralisation
Stable and sustainable economic growth based macroeconomy...
Re-orientating budget expenditures and social services by red...

Some policy takeaways



- Scaled up access to competitively priced private capital is needed to finance recovery and achieve the SDGs.
- Lowering the cost of private capital requires public private collaboration to derisk and leverage private capital
- Access to affordable financing must be linked productive use of such resources
- Judicious use of limited resources through integrated planning mechanisms that link national priorities to financing frameworks
- Improved governance to minimize leakages is key to mobilizing domestic resources and reducing fiscal leakages through illicit financial flows



THANK YOU!

www.uneca.org

www.undp.org/africa/publications/2020-africa-sustainable-development-report

<https://ecastats.uneca.org/unsdgsafrica/SDGs/SDG-progress>

Ideas
to
Action

How does the LSF work: A repo facility for African bonds

