



United Nations
Economic Commission for Africa

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**Dialogue of the Executive Secretaries of the Regional
Commissions with the Second Committee of the General
Assembly**

**Presentation
by
Antonio Pedro
Acting Executive Secretary, ECA**



25 October 2022, New York

Key messages



- The negative impact of Covid-19 is being compounded by ongoing war in Ukraine and climate challenges.
- An additional 55 million people have been pushed into extreme poverty and 22 million jobs lost due to the continent's vulnerability.
- But amid the crisis, Africa has pioneered innovative solutions to strengthen resilience.
- The pathways to global transitions are Africa centered. Africa's success or failure impacts on the achievement of major global development goals.
- The AfCFTA has emerged as a critical pathway to recovery, in addition to scaled up resource-driven economic diversification and innovative financing.
- The global financial architecture requires review.
- Expanded fiscal space a pre-requisite for growth and sustainable development: DRM and innovative financing a must.
- Carbon credit markets could generate up to US\$82 billion/year at US\$120 per ton of CO2 equivalent

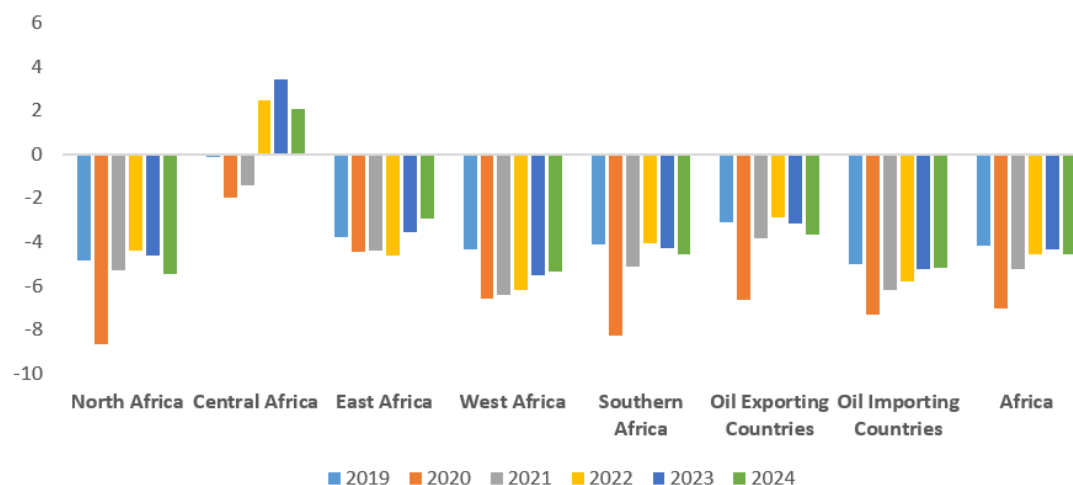
Impact of ongoing crises

Continued global crises threatens to reverse Africa's recent progress



- Africa is faced with a three-fold crisis as a result of Russia/Ukraine conflict, threatening food and energy security and increased governmental fiscal pressure: Climate, Sanitary and cost of living as a consequences of Ukrainian conflict.
- In some countries there are two additional types of crises: Security (Sahel, Great lake region, Somalia, Mozambique, CAR) and political crises (Guinea, Mali, Burkina, Sudan, South Sudan).
- The horn of Africa is undergoing its most severe drought in the past 40 years.
- ECA estimates the war could further reduce Africa's fiscal space by 7% of GDP, on average
- Africa's fiscal deficit could take until 2024 to return to its pre-pandemic level and its debt-to-GDP ratio until 2025.

Africa's fiscal balance, 2019–2024

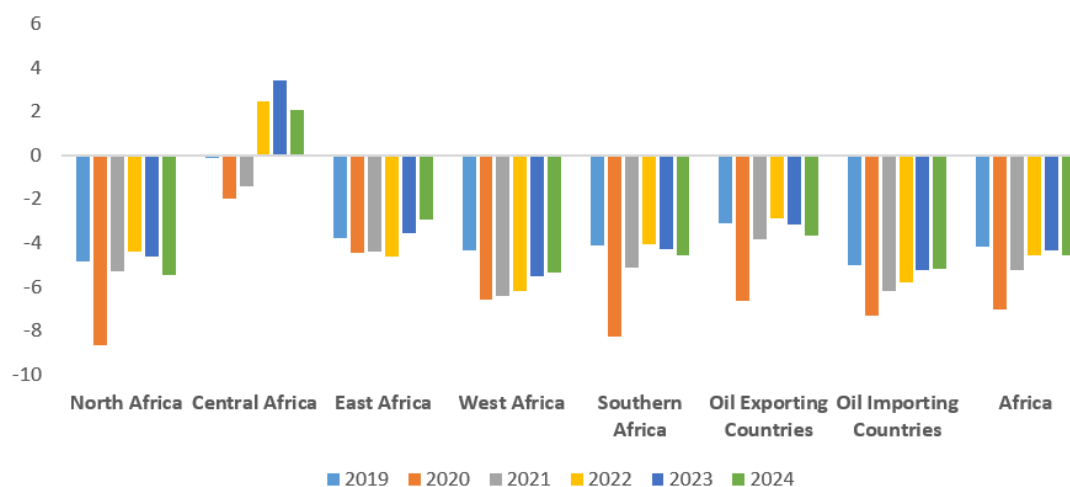


Source: ECA calculations based on IMF estimates

Continued global crises threatens to reverse Africa's recent progress



Africa's fiscal balance, 2019–2024



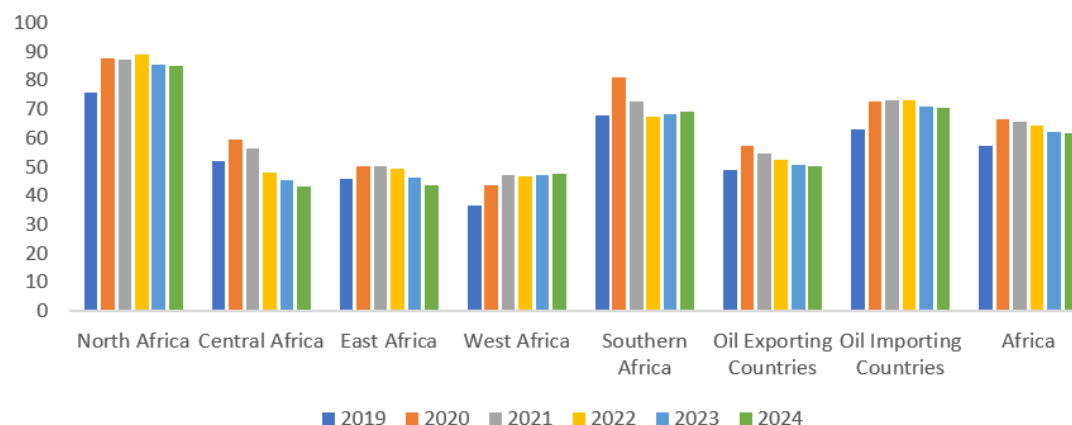
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Source: ECA calculations based on IMF estimates

Continued global crises threatens to reverse Africa's recent progress



Africa's debt-to-GDP ratio, 2019–2024



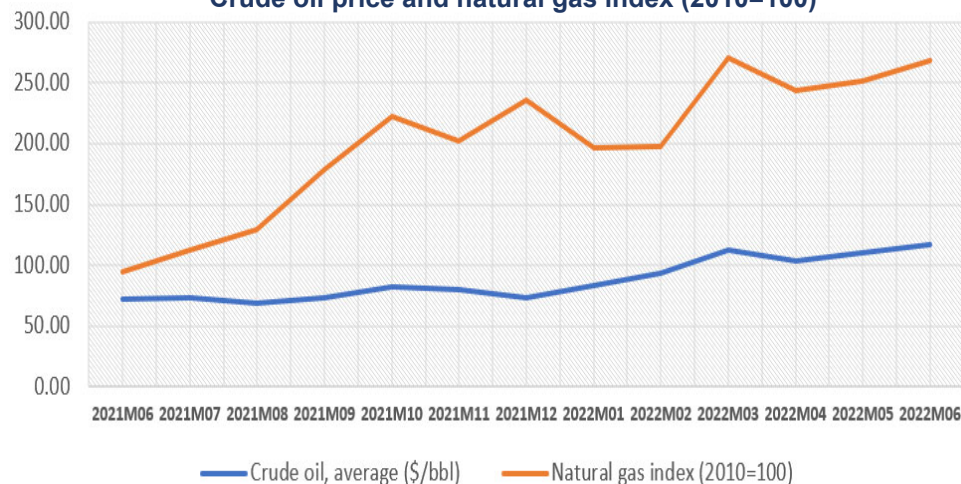
Africa's debt-to –GDP ratio rose by almost 70% from 2014-2021 and external debt is mounting. **23 African countries are either at high risk of becoming debt-distressed or are in debt-distress**

Source: ECA calculations based on IMF estimates

The crisis impact on the energy sector is manifested in a sharp increase in the prices of oil and gas



Crude oil price and natural gas index (2010=100)



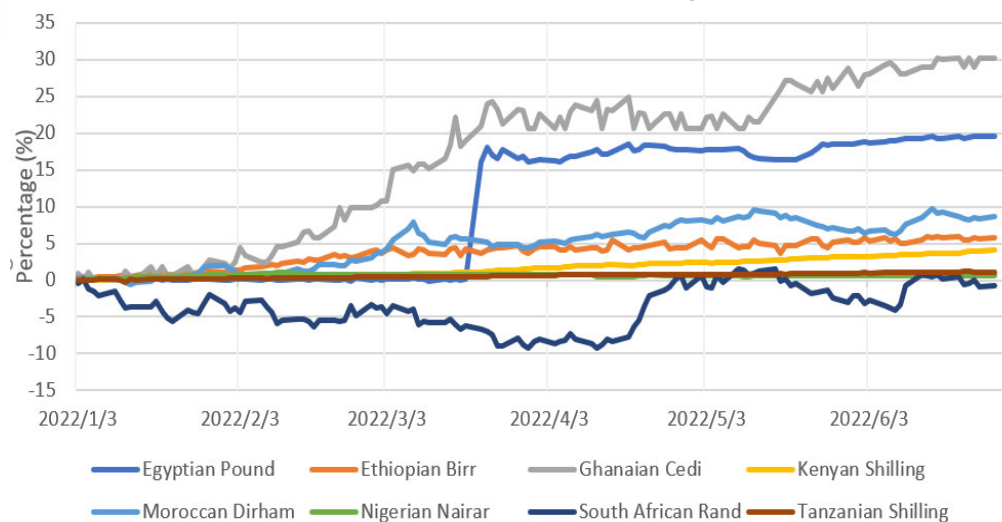
Oil prices increased on average by 25% from February to June, exceeding 110 US\$/bbl, while within the same period the natural gas prices increased by 36%.



Weaker exchange rates of local currencies are compounding the issue of rapid price increases recorded in recent months, exacerbating the problem of inflation. Many local currencies had weakened against US dollars since the first quarter of 2022, due to the resiliency of the US dollar, deteriorating global financial market circumstances, and an increase in the import demand for food and gasoline



Fluctuations in Selected African currencies against US dollar, YTD



Source: ECA calculations based on World Bank estimates



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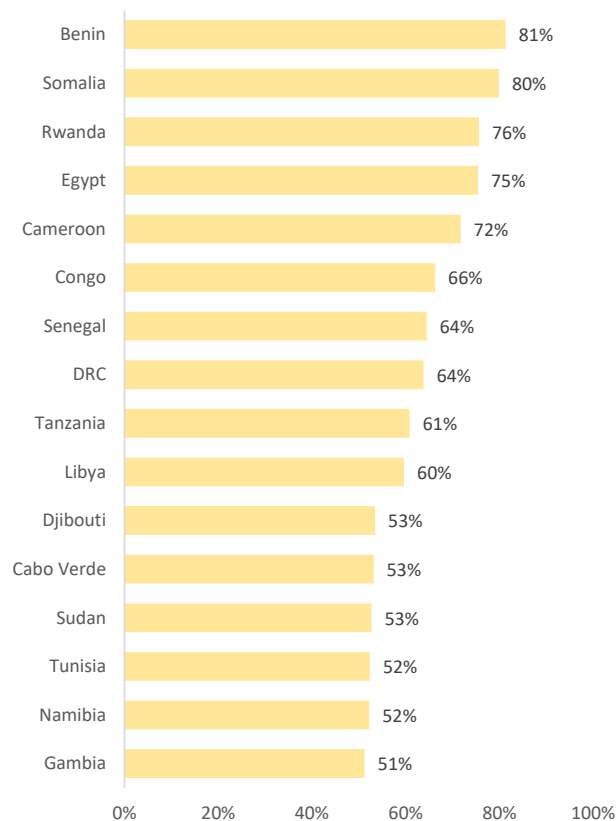
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The Ukraine crisis threatens to reverse Africa's recent progress

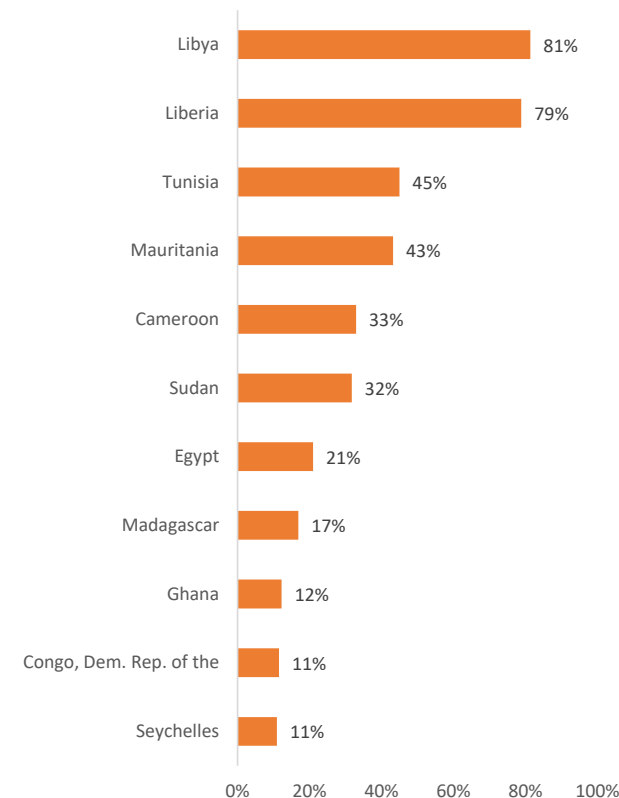


- Food, energy and fertilizer prices have remained volatile complicating the situation and exacerbating economic and social vulnerabilities in Africa.
 - 40 African countries were net importers of petroleum products in 2020. Additionally, 48 were net importers of refined petroleum products
- In 2021 36 African countries were net importers of food: Benin and Somalia sourced over 80 percent of their wheat from Russia and Ukraine in 2021
- Food insecurity threatens to be aggravated by rising fertilizer prices that could further reduce already low fertilizer usage in Africa
- With over 124 million people in Africa facing food insecurity, Africa's vulnerable populations are particularly exposed to the crisis

Share of wheat imports from Russia and Ukraine, 2021



Share of maize imports from Russia and Ukraine, 2021



The conflict comes on top of the impact of Covid-19



THE PANDEMIC HAS EXACERBATED THE CONTINENT'S SOCIOECONOMIC CHALLENGES

58 MILLION
are extremely vulnerable
to falling into poverty.

15 AFRICAN COUNTRIES
are at risk of debt distress.

WOMEN
are more vulnerable to
falling into poverty.

47%
In South Africa, 47% of
employed women in the
poorest tercile reported
losing their jobs compared
with 36% of employed men
in the same tercile.

**EGYPT,
MAURITIUS AND
SEYCHELLES**

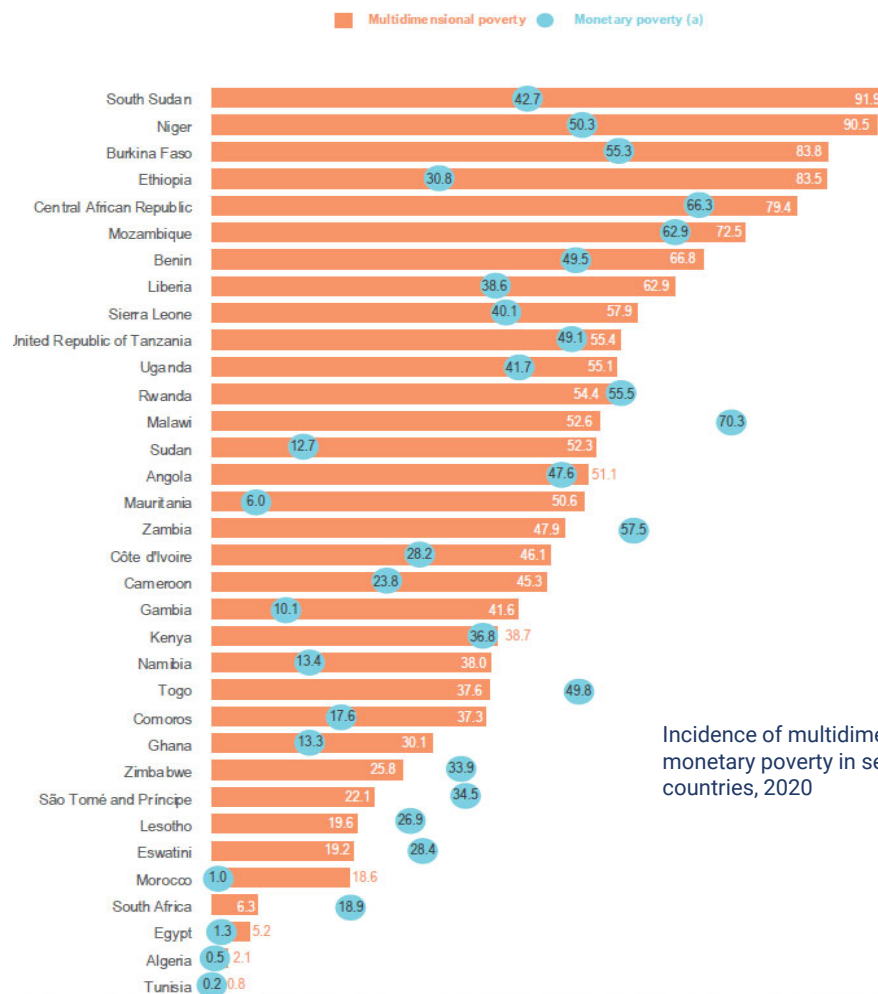
are likely to experience low
poverty and vulnerability.

**ETHIOPIA AND
NIGERIA**

are the source of most of the "new
poor" created by the pandemic.

**CHAD, ETHIOPIA
AND ZAMBIA**

have applied for debt relief under
the G20 Common Framework.



Incidence of multidimensional poverty and
monetary poverty in selected African
countries, 2020

Source: ECA, 2022

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On the climate front, countries continue to suffer



Africa's adaptation costs are estimated at USD30-50 billion (2-3% of regional GDP; 2-9% of national GDP) each year to 2030



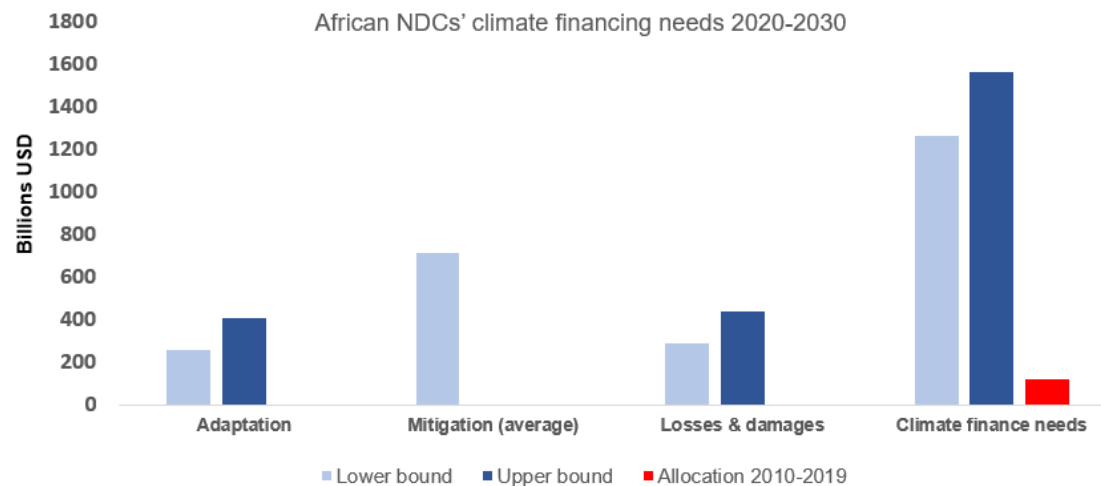
Savings from reduced post-disaster spending could be 3 to 12 times of the cost of upfront investment in resilience and coping mechanisms.



Cost to adapt to keep the 2°C target by 2050 will rise to USD50 billion per year



Africa will need investments of over \$3 trillion in mitigation and adaptation by 2030 in order to implement its NDCs



Sources: Lower & upper bound for needs: African Economic Outlook 2022 AfDB
Allocation: Climate Finance Provided and Mobilized by Developed Countries Aggregate trends updated with 2019 data (OECD, 2021)

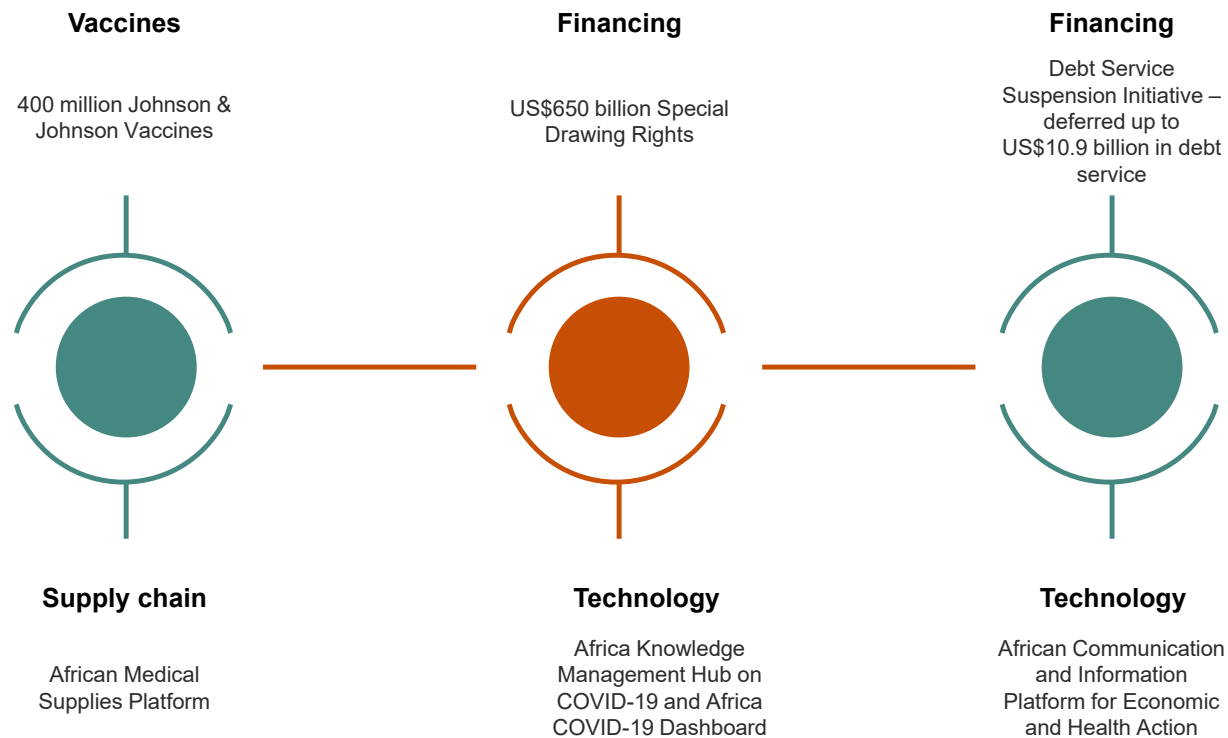


Ideas to Action

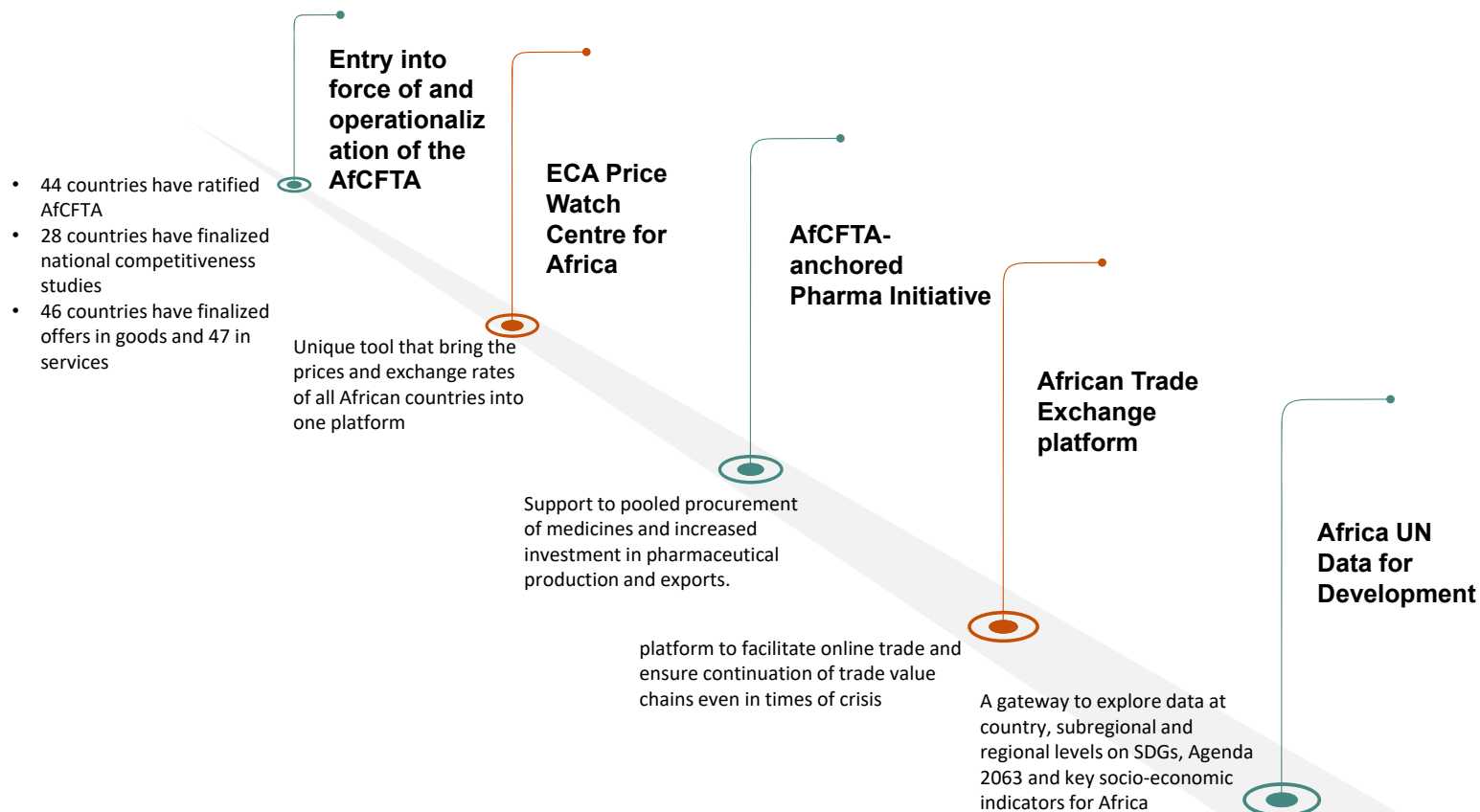
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What has ECA been doing?

Africa's response to Covid-19



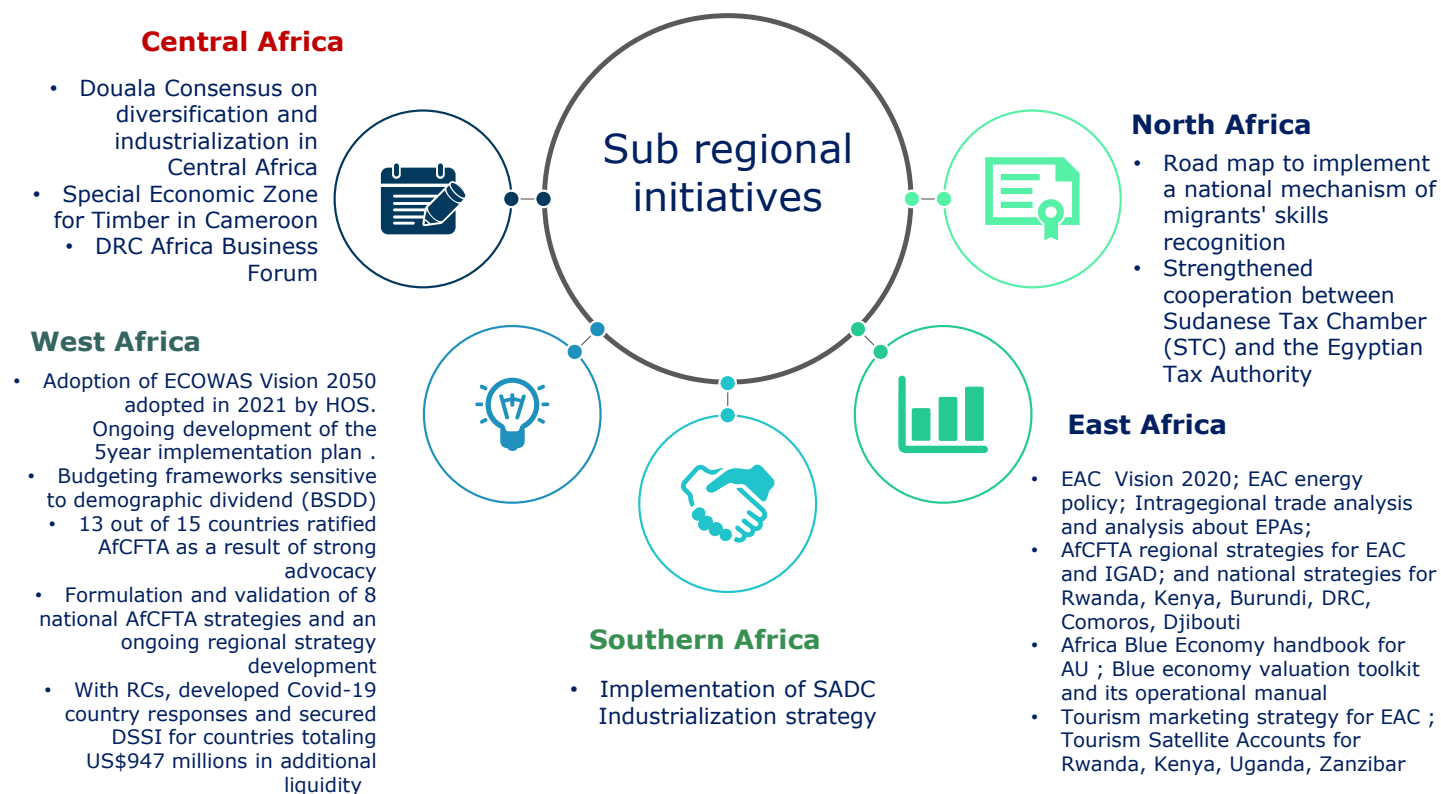
ECA support to member States



ECA support to member States



ECA support to member States at subregional level

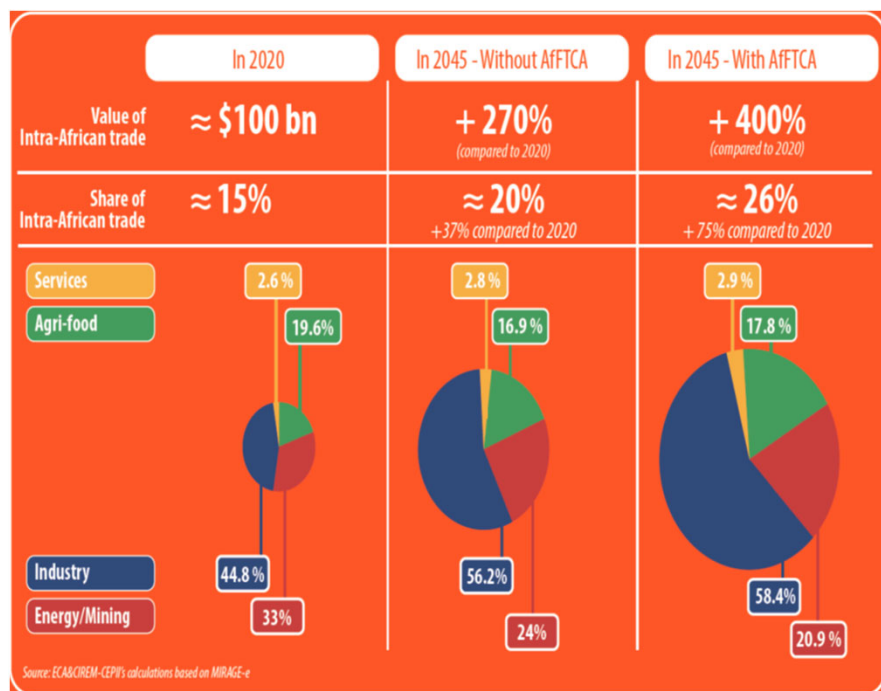


Some highlights of ECA support to UN country teams

- Support to 17 UNCTs in the development of their UN Sustainable Development Cooperation Frameworks
- Support on the development of national AfCFTA strategies (28) and implementation of the AfCFTA strategies

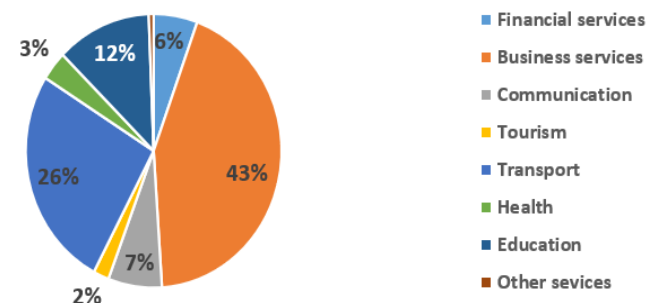
Levers for sustainable recovery

The AfCFTA remains a major economic master plan for recovery, resilience and sustainable transformation



- According to ECA's latest estimates, intra-African trade in transport services has the potential to increase by nearly 50 %.
- In absolute terms, over 25% of intra-African trade gains in services would go to transport alone; and nearly 40% of the increase in Africa's services production would be in transport

Distribution of absolute gains in intra-African trade in services in 2045, by main services sectors, under the Agreement compared with the baseline scenario (without AfCFTA)



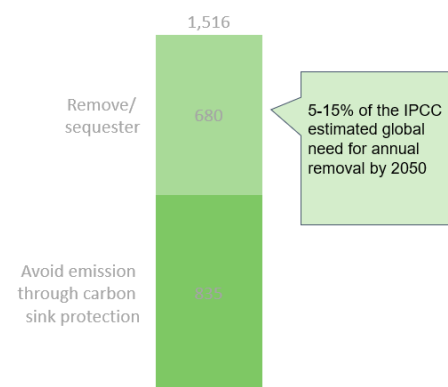
Source: ECA, 2022

Resource-driven economic diversification can support the achievement of the SDGs

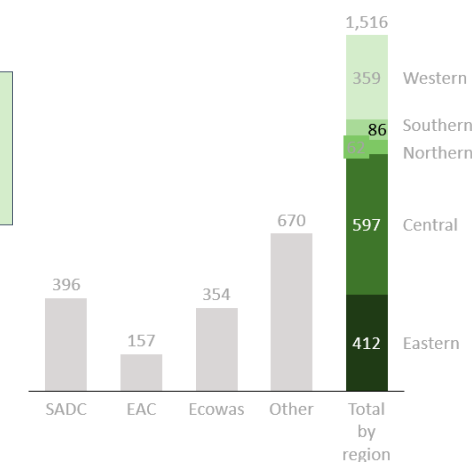


- Africa's natural capital can be monetized to promote endogenous growth that enable access to vital development infrastructure
- For example, if properly managed, nature conservation in the Congo Basin can potentially generate much higher returns than the traditional exploitation of raw materials such as fossil fuels, cobalt, copper, diamonds
- Developing an African Carbon Market facility- with nature-based removal alone Africa can meet 30% of the world's sequestration need by 2050
- Through nature-based carbon removal, Africa can generate a revenue of US\$15–82 billion annually (up to 37% of GDP) and support 35–167 million jobs and livelihoods
- Africa can support response to global energy crises by meeting new, emerging demand including through renewables
- Resource-driven industrialization (e.g. BEV, Fertilizers) will reduce Africa's exposure to the vagaries of commodity price fluctuations,

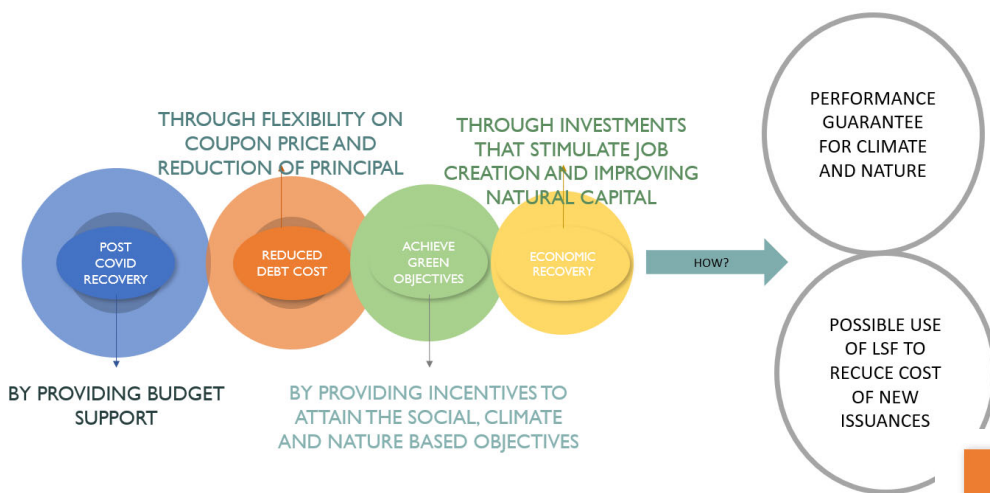
Total mitigation potential through nature-based solutions costing no more than \$120/ ton
Million tons CO₂e/year at conservative cost estimates



Total mitigation potential by location
Million tons CO₂e/year



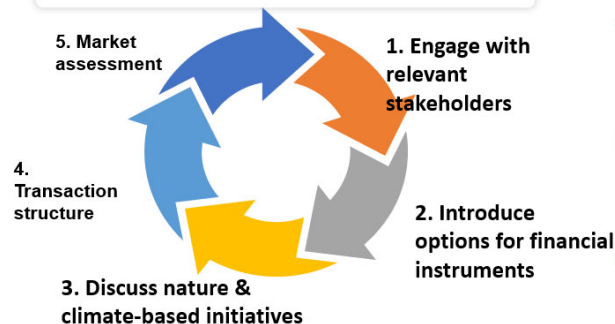
Debt swaps can stimulate increase investment in climate resilience



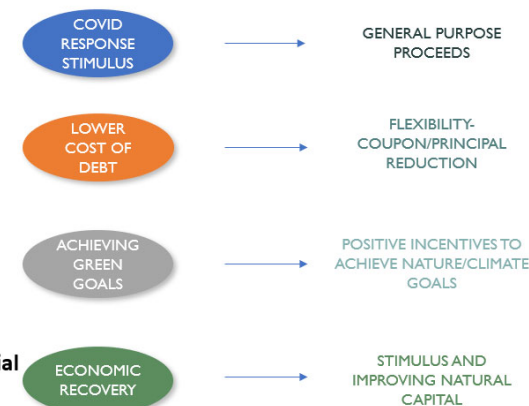
UNECA working with partners to build capacity for debt swaps for African countries

Senegal debt and climate innovation

UNECA (SRO WA and TCND)- working with **BwB**, MAYA Foundation, IIED, GGGI and to provide options for innovative nature performance instruments that align future debt sustainability and biodiversity / climate objectives



FOCUS OUTCOMES



Investing in health services must be prioritized



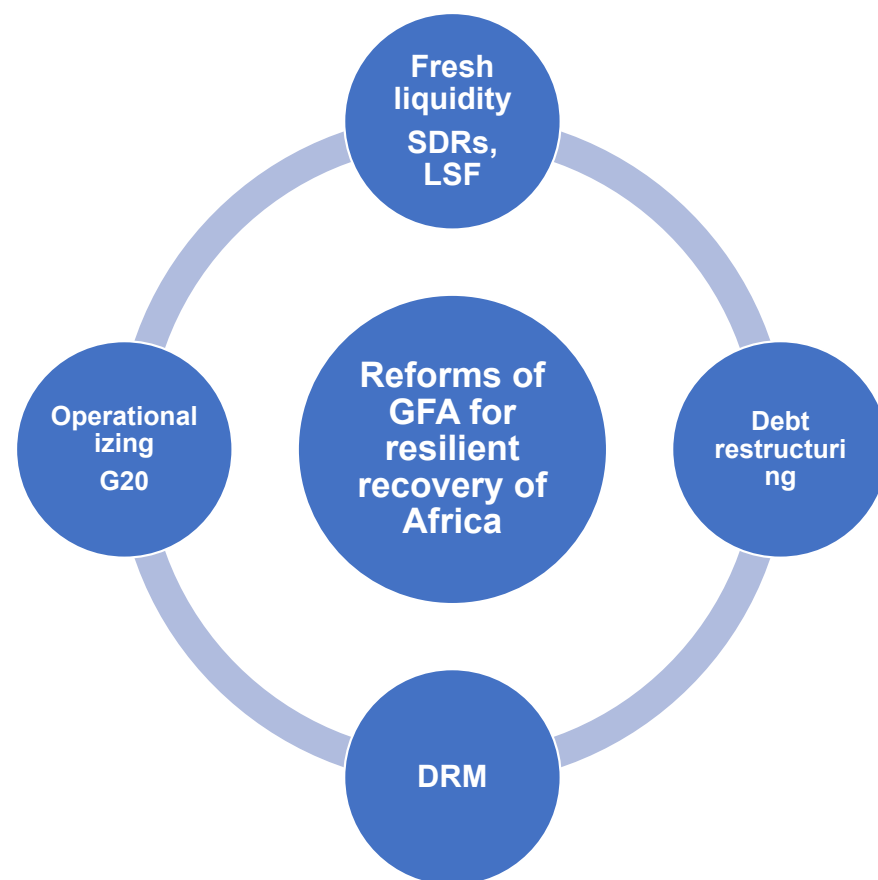
- Current health financing gap of at least US\$66 billion per annum*
- **Investment case:** Africa manufactures less than 2 per cent of the medicines it consumes. Imports cater for over 70 per cent of the pharmaceutical market in Africa worth about US\$14.5 billion
- Business opportunities in the health-care and wellness sector in Africa are estimated to be worth US\$259 billion by the year 2030, with the potential to create 16 million jobs (source: ECA 2019)

*based on the threshold of 5 per cent of GDP for government expenditure

Financing – A reform of Global Financial Architecture to ensure resilient recovery



- Reallocation of unused SDRs
- Access to new liquidity through the Liquidity and Sustainability Facility
- Debt service relief
- Curbing Illicit Financial Flows and asset recovery
- Greater adjustment in the international tax administration arrangements
- Permanent seat at the G20 through the African Union
- Debt restructuring
- Extension of the Debt Service Suspension Initiative



Macroeconomic fundamentals for sustainable and equitable growth



- Prudent fiscal policies to achieve both short- and long-term stability and growth
- Diversification of tax base and strengthening of tax administration to increase revenue
- Monetary policies beyond achieving low and stable inflation
- Stability of exchange rates
- Use international finance from both public and private sectors to unlock and leverage domestic resources
- Policies that enhance access to affordable long-term finance, encourage investment in digital technologies, research and technology and innovation.

Way forward – accelerating progress on the SDGs and Agenda 2063



- SDG Summit, review of 10-years of implementation of Agenda 2063 and articulation of next 10-year plan: A case for an ambitious and well-integrated transformational agenda
- Africa needs a just energy transition. **Investment in concrete energy pathways for transformation remains critical**
- **Implementing the outcomes of COP27 will be important.** Africa needs to crowd in additional climate finance to accelerate action and generate new resources for investment in climate resilience
- **Investments in growth poles that drive subregional transformations** is critical for accelerating progress on SDGs and Agenda 2063: Implement outcomes of Niger Summit on Industrialization
- **Current challenges demand business unusual** – Building capabilities on behavioral economics and leveraging foresight will be central
- The **outcomes of the Transforming Education Summit** is a lever for education systems to be closely aligned with countries' national value propositions
- Regional cooperation across the UN system and national engagement with UN country teams continue to be critical in delivering concrete actions: A case for deeper horizontal and vertical integration for transformational change



