Opening Statement

by

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Delivered at the

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Your Excellency Prof. Njuguna Ndung'u, Cabinet Secretary, The National Treasury and Economic Planning of the Republic Kenya;

Representatives of African Central Banks;

Distinguished Representatives of Regional Economic Communities;

Distinguished Representatives of the United Nations Economic Commission for Africa and of other International Organizations here represented;

Distinguished representatives of the Pan African Institutions;

Distinguished Senior Officials;

Distinguished Ladies and Gentlemen.

I greet each and every one of you!

On behalf of the Chairperson of the Africa Union Commission, H.E. Mr. Moussa Faki Mahamat, I wish to welcome you all to this African Union 6th Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration.

I thank you sincerely for taking time out of your busy schedules to be here today. This is an indication of your commitment and firm support for the realization of the Vision and Aspirations of Agenda 2063, our development strategy for unity, peace and shared prosperity.

I wish to further take this opportunity to thank H.E. the President of the Republic of Kenya, Dr. William Samoei Ruto and his Government, as well as the People of Kenya for the warm welcome and hospitality accorded to all delegations.

Your acceptance to host this Sixth Ordinary Session of the STC with such a visionary prospective theme “Africa Beyond Crisis: Charting an Agenda for Investment, Sustainable Growth and Shared Prosperity” is the demonstration of your unwavering support and commitment to propel Africa in its next development stage as a prosperous and socially inclusive continent.

Distinguished Ladies and Gentlemen,

You will recall that the 5th STC held in Lusaka, Zambia in July 2022 under the theme: "Improving Africa's access to capital: debt management and the rising influence of credit rating agencies" has provided a platform to deliberate on the right mix of public policies to secure adequate financing for Africa's inclusive growth and sustainable development.

Building on the recommendations and achievements since our last meeting, the theme of this Sixth STC aims to deliberate on how African policy-makers can create a conducive environment for the continent to attract more investment to accelerate economic growth and achieve sustainable development, through improved economic and employment opportunities for Africa's youthful population.

Our discussion will offer an opportunity to turn some constraints into real investment and business opportunities trough a better understanding of the dynamics of Africa's development and regional integration.

Distinguished Ladies and Gentlemen,

The STC is being held at a time when our economies are facing a storm of overlapping challenges due to the COVID-19 pandemic, rising global insecurity and climate change. These unforeseen events have created an economic, financial and development crisis that has impacted growth.

Africa's growth in real gross domestic product (GDP) was estimated at 3.8 percent in 2022, down from 4.8 percent in 2021 but above the global average of 3.4 percent. Growth is projected to rebound to 4 percent in 2023 and consolidate at 4.3 percent in 2024, underpinning Africa's continued resilience to shocks.

While the deceleration was broad-based, with 31 of the 55 Member States posting weaker growth rates in 2022 relative to 2021, the continent performed better than most world regions in 2022, with the continent's resilience projected to put five of the six pre-pandemic top performing economies—Benin, Côte d'Ivoire, Ethiopia, Rwanda, and Tanzania—back in the league of the world's 10 fastest-growing economies in 2023–24.

Despite this positive trend, growth remains below the pre-pandemic average of 5 percent and far below the needed 7 to 10 percent level expected in the long-run to achieve the Vision and Aspirations of Agenda 2063 for a united, peaceful and prosperous continent.

To accelerate growth and cope with an unfavorable environment, most governments have increased their fiscal spending in a context of declining revenues. Deteriorating financial conditions, reduced fiscal space and lower external demand have led to increased and unsustainable debt levels. Africa's average debt-to-GDP ratio will remain high at 66 percent in 2023 and stabilize at 65 percent due to growing financing needs associated with rising food and energy import bills, high debt service costs due to interest rate hikes, exchange rate depreciations, and rollover risks.

In addition, many countries' difficulties in accessing international capital markets, combined with limited revenue mobilization, have led to issue local currency debt, which increased substantially from 35 percent of GDP on average in 2019 to 42 percent in 2021. Domestic debt restructuring, therefore, should be part of the negotiations for the resolution of public debt crises in countries facing heightened risks.

Distinguished Ladies and Gentlemen,

To achieve sustainable growth and shared prosperity, Africa needs to chart an Agenda for Investment. Evidence based analysis suggest that We must increase investment from the current level of 20 percent to 40 percent of GDP.

In that perspective, the African Union Commission in collaboration with the African Development Bank Group and African Union Development Agency (AUDA-NEPAD) have jointly commissioned a Study on Key Actions to Achieve Inclusive Growth and Sustainable Development in Africa".

The study considers the critical issues of financing as it examines Africa's financing gap and opportunities to sustainably supply the continent with sufficient capital flows. By scaling up both domestic and external financial resources, the study aims at accelerating growth through strategic investment in productive sectors in agriculture, industry and services.

Despite improved recent economic growth, domestic savings have consistently fallen short of the continent's investment needs, whereas official development Assistance (ODA) is expected to continue to decline in the near future.

Africa thus needs to focus more on innovative or untapped approaches to mobilize domestic resources and external private capital and stem illicit financial flows.

There is a renewed consensus among various stakeholders that Africa should improve domestic resource mobilization to bridge the budget deficit gap, achieve inclusive growth and sustainable development towards Agenda 2063.

Realizing the Vision and Aspirations of Agenda 2063 requires 75% of resources to be mobilised domestically.

This can be made possible if the continent takes advantage of the $220 billion loss annually due to tax incentives. Additionally, effectively fighting against illicit financial flows (IFFs) will allow us to secure USD 89 billion yearly, which represents approximately 3.7% of Africa's Gross Domestic Product (GDP).

Distinguished Ladies and Gentlemen,

To improve their investment capacities, African governments must improve tax revenues by adapting to the digital transformation. The example of Kenya as well as other countries is well-known.

Digitalisation is changing African tax bases and re-designing how taxes are collected and administered. However, taxing the profits of the digital economy is more challenging than taxing digital consumption and requires international co-operation.

In that connection, the African Union Commission welcomes the resolution for promoting inclusive and effective international tax cooperation at the United Nations. This momentum is critical to reverse unequal taxing rights that deprives the continent of mobilizing adequate revenues, specifically from the taxation of the digital economy. The

UN Tax Convention should address the inequalities and lack of inclusivity in international tax cooperation.

Distinguished Ladies and Gentlemen,

Achieving inclusive and sustainable growth also calls for massive investment in developing Africa's productive capacities through industrialization and economic diversification.

Investment in critical sectors such as agriculture, agro-industry and services will accelerate the process of shifting from heavy reliance on exports of non-transformed commodities and imports of manufactured goods to a real industrial transformation process. To this end, there is need to take advantage of the market opportunities of the African Continental Free Trade (AfCFTA).

Diversification means investing in the production of food, medicines and all the necessary products that **WE** import each year for the consumption of our citizens. We must transform our abundant resources to avoid losing approximately USD 110 billion in imports of foodstuffs and more than USD 16 billion in imports of pharmaceutical products. These resources can be channeled to other development needs.

The ambition of the Joint AU-AfDB-AUDA-NEPAD Study is to place productive transformation at the center of national, regional and continental investment strategies. Working together in the spirit of the African solidarity is the only option to maximize our benefits of an enlarged market.

Distinguished Ladies and Gentlemen,

With a population size estimated at 1.4 billion today and prospects nearly 2.7 billion by 2050, there is a balance of evidence that the next century in Africa offers good prospects for realizing the vision of a prosperous, dynamic, diversified and competitive economic zone, in which extreme poverty is eliminated within peaceful, stable and vibrant societies as encapsulated in Agenda 2063. Achieving this vision requires investment in skills and education to equip our youth and African people with the right capabilities to drive economic transformation.

Harnessing the potential of the youth through digital transformation could, in this context, drive a more innovative, inclusive and sustainable growth, and contribute to the achievement of Agenda 2063.

Distinguished Ladies and Gentlemen,

On the financial side,

I would like to call upon our financial leaders, to continue stepping up their efforts to develop more robust public financial management systems that improve revenue mobilization, strengthen monetary and exchange rate policy frameworks, bank supervision and governance.

Key actions aimed at strengthening the links between debt financing and growth returns are crucial for debt sustainability in the continent. There is urgent need to use debt to invest in the most productive projects that generate sufficient growth to pay for the debt in future.

To address longer-term challenges, achieve financial stability and autonomy, there is need to speed up the operationalization of the African financial institutions as indicated in Article 19 of the Constitutive Act of the African Union. The African Central Bank, the African Monetary Fund, the African Investment Bank and the Pan-African Stock Exchange will be of vital support to secure long-term financial resources needed for the implementation of Agenda 2063.

Distinguished Ladies and Gentlemen,

Strengthening the role of the private sector in Africa's development efforts is also critical.

The private sector generates 70 percent of Africa's output, 70 percent of its investment and 90 percent of its employment. There is need to pursue efforts in creating an enabling business environment and policy space that reduce their challenges and the temptations towards informality. This will enhance private sector investments to structural transformation and development.

Distinguished Ladies and Gentlemen,

We also need to rethink our strategic engagements with our partners. It is important to always put Africa first in international negotiations.

In this regard, we must find a common voice on critical issues such as the Reform of the Global Financial Architecture.

There is a global consensus on the need for fundamental reforms of the Global Financial Architecture, with broad interventions on the international debt and climate financing mechanism called to fit the developmental purpose of developing countries.

In conclusion, let me once again call upon leaders gathered here to amplify their efforts to create a space that unlocks the immense potential of our continent. In this drive, you can always count on the African Union Commission.

I wish you fruitful deliberation and thank you for your kind attention.