WELCOME REMARKS

BY

H.E. Prof. Njuguna Ndung'u Cabinet Secretary, The National Treasury & Economic Planning of the Republic Kenya.

Read on his behalf by Joseph Kiprono.

DELIVERED AT THE

6th SPECIALIZED TECHNICAL COMMITTEE ON FINANCE, MONETARY AFFAIRS, ECONOMIC PLANNING AND INTEGRATION.

EXPERTS MEETING

Held under the theme:

"Africa Beyond Crisis: Charting an Agenda for Investment, Sustainable Growth and Shared Prosperity"

Venue: Movenpick Hotel

Nairobi, Kenya

17th July 2023

Your Excellency Ambassador Albert Muchanga, Commissioner for Economic Development, Trade, Tourism, Industry and Minerals of the African Union Commission;

Governors of African Central Banks;

Distinguished Representatives of Regional Economic Communities;

Distinguished Representatives of the United Nations Economic Commission for Africa;

Distinguished Representatives of other International Organizations here represented;

Distinguished representatives of the Pan African Institutions;

Distinguished Senior Officials;

Ladies and Gentlemen;

It is my distinct honor and privilege to warmly welcome you to the 6th Ordinary Session of the African Union Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration being held here in Nairobi, Kenya.

Allow me at the onset to thank the African Union Commission, under the leadership of Commissioner Muchanga for choosing Kenya to host of this important Statutory Event of our Continental Organization.

I would also like to sincerely thank all delegations from the African Union Member States for accepting, despite numerous engagements and various urgent solicitations, the invitation of the African Union to come to Kenya to help us deepen our thoughts on the important theme of the Conference "Africa Beyond Crisis: Charting an Agenda for Investment, Sustainable Growth and Shared Prosperity".

Excellencies, Ladies and Gentlemen,

This 6th STC constitute an important milestone in the current socio-economic context of our continent confronted with the protracted consequences of the COVID-19 pandemic, the Russia-Ukraine war and climate change.

I will structure my remarks around three themes: first, the macroeconomic challenge posed by the three mutually reinforcing challenges of COVID, Insecurity and Climate Change. Then I'll explain Kenya experience during this uncertain and volatile period. Finally, I will conclude with a few thoughts on what lessons we can take forward to attract investment for sustainable growth and shared prosperity.

The macroeconomic challenges

As you are all well aware, the COVID-19 pandemic has stopped Africa's decade growth performance as we recorded our first recession in two decades.

Before 2020, Africa's annual growth averaged 5 percent from 2000 to 2019. This economic performance was in total contradiction with the weak economic performance of the 1980's and 1990's, the so-called lost decades.

From 2000 to 2019, Africa's growth was powered by relatively high commodity prices; increasing domestic demand; easing infrastructural constraints; ever-tighter trade and investment ties with emerging economies; and improving global economic and regional business environments.

Africa's output gap, which is the difference between actual and potential real output as a percentage of potential output was negative over 2000–2023, signifying that African countries are underperforming. A positive output gap suggests that the economy is operating above its potential.

This gap shows the existence of spare capacity in Africa, suggesting that growth can be fostered with policies that stimulate aggregate demand and trade within Africa and between Africa and the rest of the world. Indeed, efforts to facilitate intra-Africa trade and enhance access to global markets can help the continent promote growth, diversification and benefit more from expected increase in global economic activity.

Economic growth has historically been below the potential and plagued by a series of shocks including: wars, political instability, natural disasters, epidemics, terms-of-trade deterioration, and sudden stops in capital flows, among others.

In total, despite this remarkable economic performance, assessment of the quality of Africa's growth shows that: (i) growth remains volatile, despite a strong process of capital accumulation and new trade partners, and; (ii) it has not been inclusive and broad-based to create enough jobs and translate into higher well-being.

Economic growth is back since 2021. Data show that growth is projected to stabilize at 4 percent in 2023, 2024 and beyond, if the global economic parameters remain stable.
This positive trend remains however below the expected real levels of 7 to 10 percent needed to make significant progress in job creation, poverty and inequality reduction.

Excellencies, Ladies and Gentlemen,

This brings me to the second part of my remarks on how to shape a sustainable development pathway building on Kenya's Experience.
There is a consensus that African countries need massive investments to cope with challenges and shape a sustainable development pathway.
In this perspective, the call for structural transformation has gained unprecedented momentum in African policy making. In fact, no country has achieved rapid and sustained economic growth without structural transformation, generally characterized by the movement of production from low to high productivity activities and sectors. A prosperous and expanding industrial sector including more manufacturing and resource processing is crucial for structural transformation to occur.
Structural reforms are also needed to invest in people. This is easy to say, hard to do at a time of fiscal challenges. But, actions such as reskilling workers and quality education

are necessary to expand the workforce and ease labor shortages that are necessary to strengthen growth across the continent.

Kenya has followed this process of transforming its economy through strategic investments in productive sectors, infrastructure, energy and skills for future proofing its economic growth to shocks.

In that drive, we strongly believe that regional integration is essential in providing a market of 1.4 billion potential consumers to Kenyan producers. We are investing in productive regional value chains that offer the opportunity to synergize and build on our comparative advantages to produce the goods needed by African countries.

To unlock the continental untapped potential, we need to take advantage of both domestic and foreign resources. With regards to domestic resources, Kenya has reformed its tax administration systems to ensure that efficiency, equity and good governance in resource management remain key priorities. Progress has been made to ensure that we effectively collect resources from the transformative and digital sectors.

With regards to external financing, our aim in Kenya is to attract more foreign direct investments in critical sectors in agriculture, industry and services.

We are also favorable to a deep Reform of the Global Financial Architecture to make international finance work for development.

Excellencies, Ladies and Gentlemen,

What lessons can we take forward to attract investment for sustainable growth and shared prosperity?

First: Development is a homegrown process. We need to define our priorities and work together to implement the policies formulated.

Second: we should work to maintain macroeconomic stability to fight against inflation, currency exchange rate depreciation.

Three: we have to invest in science, technology to enhance innovation and productive transformation. Achieving this requires investing in infrastructure, energy and more importantly in skills.

Four: we should scale up both domestic and external financial resources to bridge Africa's financing gap. Beyond ODA, Africa needs to focus more on innovative or untapped approaches to mobilize domestic resources and external private capital. Fresh approaches to development financing revolve around sovereign wealth funds (SWFs), pension funds, insurance savings, private equity funds, diaspora and sovereign bonds, remittances, public–private partnerships (PPPs) — as well as the curtailment of illicit financial flows.

On that note, I wish this Sixth Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration fruitful deliberations and great success.

I thank you for your kind attention.