



AFRICAN ECONOMIC CONFERENCE 2022 BULLETIN

ISSUE 1

SUPPORTING CLIMATE-SMART DEVELOPMENT IN AFRICA

9-11 Dec 2022, BalACLava, Mauritius

WE ARE READY TO HOST 2022 AFRICAN ECONOMIC CONFERENCE FINANCE MINISTER PADAYACHY



“The government of Mauritius is highly committed to accelerating the country’s green transformation process, targeting to generate 60% of its energy from renewable sources by 2030. “Sustainable growth and inclusive development do involve a cleaner, greener, and more climate resilient economy,”

Dr. Renganaden Padayachy, Finance Minister

The island nation of Mauritius is set to host the 2022 African Economic Conference (AEC) from 9-11 December, its Minister of Finance, Economic Planning and Development, Dr. Renganaden Padayachy, said at a news conference announcing the event in October.

The African Economic Conference is Africa’s leading forum for discussing the continent’s emerging challenges and opportunities and is jointly hosted by the African Development Bank, the Economic Commission for Africa, and the United Nations Development Program.

This year’s conference will be held in a hybrid format, with in-person

delegates gathering in the coastal city of BalACLava, northwest of Mauritius. It will be held under the theme “Supporting Climate-Smart Development in Africa.”

«Hosting such a high-profile event is truly a privilege and an honor for Mauritius,” Padayachy said. Addressing the theme of AEC 2022, Padayachy referenced the World Risk Report 2021, which described Africa as the most vulnerable continent to climate disasters and Mauritius as highly exposed to the impacts.

The minister said the government is highly committed to accelerating the country’s green transformation process, targeting to generate 60% of its energy from renewable sources by 2030.



9-11 December BalACLava, Mauritius



“Sustainable growth and inclusive development do involve a cleaner, greener, and more climate resilient economy,” he said.

In his remarks, African Development Bank Deputy Director General for Southern Africa, Kennedy Mbekeani commended the government of Mauritius for agreeing to host the 2022 African Economic Conference. AEC 2022 offers a platform for in-depth reflection on strengthening institutional capacities to develop climate-smart innovative mechanisms to bolster Africa’s resilience and the drive to switch to low-carbon development pathways.

«Water supplies and food production might be hampered by changing weather patterns. Africa’s most vulnerable regions are also among its

most fragile due to their dependence on unimproved commodities and lack of economic variety,” Mbekeani said.

According to Mbekeani, creating climate-smart policies could become a driver of development across Africa, and investments in building resilience to climate change could have wider economic and social benefits.

At the press conference were UNDP’s Senior Economist for Mauritius and Seychelles, Tony Muhumuza; the Advisor to African Development Bank’s Chief Economist and Vice President, Eric Ogunleye; the Bank’s AEC Task Manager, Adeleke Salami; and other senior government officials, including Deputy Financial Secretary at the Ministry of Finance, Economic Planning and Development, Vish Soondram.

Mbekeani highlighted the African Development Bank Group’s new Climate Change and Green Growth Policy and Strategy for 2021-2030, which aims to address climate financing disparities across Africa and strengthen the continent’s voice on climate change issues.

Experts have warned that most of Africa will suffer from extreme weather events, which have become more frequent and severe, causing damage to agriculture, tourism, cities, infrastructure, water, energy systems, and even the extractive sector.

Since its inception in 2006, the AEC has supported research, policy discussion, and knowledge sharing on issues affecting Africa. This year, Mauritius is expecting over 400 in-person attendees.



AEC Partners in Action

AfDB: Tackling financing gaps

To address climate financing gaps across African states and raise the African voice on climate change matters, the African Development Bank has developed a new Climate Change and Green Growth Policy and Strategy framework for 2021-2030. The Framework sets out a clear vision for a climate-resilient, low-carbon, green, inclusive, integrated, and prosperous Africa, justly transformed for the benefit of all Africans. It aims to leverage an aggregate climate finance target of \$25 billion between 2020 and 2025 and achieved 50% adaptation versus a 50% mitigation target.

The Bank aims to increase Africa’s share in global climate finance from 3%

to 10% by 2030. It also aims to double the private sector climate finance mobilization target from 30% to 60% by 2025.

The framework will strengthen the Bank’s global leadership and partnerships to enhance its investment safeguards against climate risks; avoid investment in stranded assets by promoting climate-smart investment and mobilized the global climate finance facility.

The Bank has partnered with the Global Center for Adaptation to accelerate adaptation finance in member countries, through the innovative Africa Adaptation Acceleration Program (AAP).

The Bank is also considering the establishment of a future «African Green Finance Facility Fund» (AG3F) the African Green Finance Facility Fund (AG3F), which will provide technical assistance grants to help local

governments and financial institutions design green finance facilities and develop pipelines of sustainable, green “Paris aligned” projects; capitalize green financing facilities; and co-finance project pipelines by providing concessional resources and de-risking mechanisms to allow private investors to participate in green transactions.

Host Country Focus

Costal communities taking the charge for people, for planet

As a Small Island Developing State, Mauritius is vulnerable to climate change impacts. The coastal zone is prone to flooding because of rising sea levels and increasing storm surges from cyclonic activity in the Western

Indian Ocean.

The Ministry of Social Security, National Solidarity and Environment and Sustainable Development is implementing a project, with support from UNDP and the Adaptation Fund, to increase climate resilience of communities and livelihoods in coastal areas in Mauritius. The project has so far supported the selected communities to plant 20,000 mangroves and to install more than 900 reef balls in the Mont Choisy lagoon to reduce beach erosion and restore life. A Refuge Centre, resilient to flooding and coastal inundation, was also built in Quatre Soeurs. Additionally, a national coastal adaptation strategy for the coastal zones of Mauritius and Rodrigues was developed to promote and enhance the resilience of communities along the coastal zones.

<https://www.undp.org/mauritius-seychelles/projects/climate-change-adaptation-programme-coastal->



African Development Bank's portfolio in Mauritius

Mauritius, an Island State is highly vulnerable to climate change, including intense cyclones, abnormal tidal waves, prolonged droughts, flash floods, and rising sea temperature, resulting in combined annual losses (direct and emergency costs) of over USD 136 million (AfDB, AEO, 2022).

The Bank is taking action to build the resilience of the agriculture and food system by supporting the development of a climate-proof special Agro-processing zone (SAPZ) that will promote the development of climate resilience and a low carbon agro-processing infrastructure. The Bank is also taking action to support Mauritius 2030

Renewable Energy Roadmap which aims to achieve 60% of renewables in the electricity mix by 2030.

The Bank's aims to contribute to the country's efforts to reduce floods, drought, and tropical cyclones loss through support to the Mauritius National Disaster Risk Reduction and Management Policy 2020-2030. The Bank has supported the design of the Port Louis Master Plan to enhance the performance of the port and reduce loss from climate change.

The Bank, through the forthcoming Country Strategic Paper (CSP 2022-2026) will also strengthen policy dialogue and collaboration with the Private sector to enhance the implementation of Mauritius's updated Nationally Determined Contribution (NDC,2021).

GUEST BLOG: Scaling up innovations can benefit communities in arid lands *By Annita Tipilda Annies*

Growing up in the arid lands of Southern Kenya, droughts were a phenomenon that were not only marginalizing, but also led to more poverty and uncertainty for many in our communities. Years of unpredictable seasons, shifting rainfall patterns inter playing with land tenure led to increasing negative socioeconomic impacts. At the same time, there was

a realization that the timeliness and adequacy of humanitarian assistance was limited.

In the last two decades, the region has seen new initiatives and intervention aimed at seeking economic benefits and sustainability while addressing the downside impacts of climate change.



Examples of projects include harnessing markets, early warning systems, the use of ICTs in service provision, innovative extension programmes and financial services. Suddenly, a region typified by poverty, drought, and years of low development investments has become a place where new ideas and opportunities could thrive. Equally, in other parts of Kenya's arid lands, similar efforts exist. Despite these efforts, southern Kenya, and indeed the country is facing heavy losses to yet another drought. To put this into context, the Kenya Government records 15 droughts between 1960 and 2016. During the 1970s and 80s, severe droughts were recorded which brought international attention for humanitarian assistance. After the year 2000, 5 droughts were recorded. Three of these are considered to be severe (2010-2011, 2016-2017 and 2020-2022). It is clear that there is an increasing frequency and severity. With each drought, are losses in income and assets that push communities into poverty traps and a vicious cycle of losses that result in food insecurity, less income, diminished assets, and disruptions in investments in human capital. These losses in turn, make communities more vulnerable to drought, and to a range of no climatic socio economic crisis. Particularly hard hit are women and young children and displaced communities, as they typically cannot access important assets to enable them to cope.

While the examples of the innovations highlighted above have been proven to support pastoralists and farmers to cope, adapt and build resilience to droughts, they have been limited in their reach. In order to make these and emerging solutions central to reducing the impact of variability, and climate change, there is an urgent need to address the barriers that prevent accessibility at a wider scale. A review of policies and exploring existing and new ways to finance such efforts is needed. The recent drought in Kenya demonstrates that there are opportunities to support the communities struggling to cope. What is lacking is the sustained effort to bring them to scale.

Researchers and experts attending this year's African Economic Conference have an opportunity to turn the theme – supporting climate-smart development in Africa – into an opportunity to move the dial on a review of policies for actionable proposals to support and finance innovations and bring sustained relief to such communities now and in the years to come.

Annita Tipilda Annies is a young Kenyan PhD student exploring circular economy, sustainability and the opportunities to model new ways of economic growth in Africa at the Department of Food and Resource Economics (IFRO) University of Copenhagen, Denmark, which is a broad social science department in the Faculty of Science focused on undertaking independent research in thematic fields such as international development.

A Year Ago - in Sal, Cabo Verde

2021 AEC: Reforms, debt initiatives come under the spotlight as Africa enters 'critical' phase

Held in the height of the OMICRON variant, participants at the 2021 African Economic Conference urged countries to implement crucial governance and economic reforms to see the continent through a historic crisis brought on by the Covid-19 pandemic.

The conference brought together leading thinkers, development specialists and policymakers virtually and in Sal, Carbo Verde, to present their latest research on the challenges facing the continent, including mounting debt and an unrelenting health crisis.

"The next few years are critical for our continent...The richness that Africa has and the capacity it has doesn't deserve to have people living in such poverty. We need to make the right decisions to fight extreme poverty," said Cabo Verde Deputy Prime Minister, Olavo Correia,

at the closing ceremony of the three-day hybrid event on Saturday.

Researchers at the conference identified three critical areas that need attention: human capital, institutions, and infrastructure, highlighting the critical role of the private sector role in each. Meanwhile, they shared their latest findings on the continent's financial systems and called for reforms and greater capital market and monetary integration.

The theme of the 2021 African Economic Conference was "Financing Africa's post-Covid-19 development." Cabo Verde President José Maria Neves began the conference with an urgent call for universal vaccine access to curb the spread of the coronavirus, shortly after news had emerged of the Omicron variant.



The new variant indicates that "we are not out of the woods yet," said Eric Ogunleye, Advisor to the Chief Economist of the African Development Bank. "Thus, there is an even stronger need to close the huge financing gap for the continent to build back bolder, bigger, better, and sustainably," he told the conference on Saturday.

According to economic experts speaking during the third day of the conference, many African countries face the risk of defaulting if the G20's Debt Service Suspension Initiative is not extended beyond this year. The bigger risk is that countries will fail to borrow and service their debts as they reach the 70-75% debt ratio, said Dr Falliou Fall, Deputy Head

of the Country Studies Division at the Organisation for Economic Co-operation and Development (OECD). Bartholomew Armah, Director of the Macroeconomic and Governance Division at the Economic Commission for Africa, advocated for new strategies for financing Africa's Covid-19 pandemic recovery, including domestic resources, and a rethink of the global financing architecture. Citing the International Monetary Fund's Special Drawing Rights, he said: "We need to rethink who is the target of these financing resources."

Another solution lies in one of the continent's most valuable resources: young people. Ahunna Eziakonwa, the UN Development Program's Assistant Administrator and Regional Director for

Africa, emphasized the importance of investing in the emerging generation, the fastest-growing demographic group in Africa.

“We have to ride on the confidence of the young people. Africa’s ability to make it out of poverty and inequality depends on this spirit of the youth,” she said. She also charged Africa with imagining a future beyond aid, where domestic resources account for the majority of development investment. That would require “urgent and coordinated action to stop the leakage of \$90 billion of illicit finance flow that leaves Africa every year.”

The 2021 African Economic Conference was organized by the African Development Bank, the Economic Commission for Africa, and the United Nations Development Program. Other high-profile participants included UN Deputy Secretary-General Amina Mohammed, Finance Minister of the Democratic Republic of the Congo, Nicolas Kazadi, and Nobel prize-winning economist Roger Myerson.



Looking Ahead

Just Energy Transitions in African Economies

We know that Africa has a vast resource base and potential for renewable energy such as wind solar hydro and geothermal. Africa also has an abundance of mineral resources essential in the production of renewable energy infrastructure. New discoveries of oil and gas are accompanying the increasing investments in renewable energy generation. As such, as the energy landscape is changing and is becoming increasingly complex, so are the important ramifications for the structure of economies and future development prospects for its peoples.

The question of a Just Energy Transition has divided climate change actors for decades and a call to rich

countries, who are responsible for the climate crisis to assist poorer countries who least contribute to greenhouse gas emissions, to shift towards cleaner technologies.

While there is no doubt that Africa is undergoing accelerated economic growth and transformation, the continued potential hinges on the availability of energy. The notion of a just energy transition implies that policies at the national and regional contexts are in place to manage the social and economic impacts as well as disruptions that will accompany such transitions.

Further, concerns on the social, political, national and regional implications underline the need for dialogue, policies and social protection. In addition to this, sustainable and just energy transitions remain a central aspect towards

adapting to the downside impacts of climate change. Additional key issues emerge on finance, inclusive economic growth and the need for support from rich countries. South Africa has been a major proponent of the need for such assistance. The high use of coal for electricity generation contributes an estimated 41% of emissions in the country. At COP26 in Glasgow, a financial package was announced to assist countries move away from coal by leveraging private investments to support the transition.

The African Economic Conference will discuss this subtheme while also looking at the key policy frameworks at the national and regional contexts that are needed in order to address the current complexity of the energy access deficits, while harnessing the potential to address both climate change as well as sustainable development.





Climate Smart Industrialization of Africa

African leaders at COP27 in Sham el Sheik, Egypt have underscored the dual challenge of advancing inclusive economic transformations and industrialization while having to rapidly adapt to climate change. Despite the fact that Africa contributes the least to the climate crisis, a green growth pathway towards industrialization is beneficial, within the continent, as well as in integrating Africa within an increasingly global green economy. Numerous examples have

demonstrated, the potential Africa has in harnessing inclusive and sustainable economic development from a green growth climate smart pathway. This includes benefits such as access to new markets, engaging in new innovation for improved productivity, as well as sustainable and efficient use of resources, while buffering the risks that climate change presents. However, in order to achieve this pathway, national governments and regional bodies will need policies and investments that accelerate the structural transformations, the identification of green activities,

sectors and capacities towards greening the industrialization pathway. Other efforts potentially should focus on fiscal incentives, research and development, finance among others. However, Africa's efforts towards climate smart and green growth industrialization cannot be undertaken in isolation, Partnerships with advanced economies will play a critical role in harnessing the full potential of the existing green growth opportunities. This includes technology transfers, financing, market access, as some of the win-win strategies.

AEC Partners at COP 27

The Great Blue Wall Initiative

At COP 27 in Sharm El Sheik, global leaders pledged commitment to accelerating action on the Great Blue Wall Initiative (GBW) during a side event co-hosted by the ECA, the Republic of Seychelles, the International Union for Conservation of Nature (IUCN), and the UN High-Level Climate Champions.

The «Great Blue Wall» (GBW) initiative is an Africa-led effort toward a nature-

positive world that enhances the planet's and societies' resilience to halt and reverse nature loss by 2030. It aims to create interconnected, protected, and conserved marine areas to counteract the effects of climate change and global warming in the Western Indian Ocean (WIO) region. At the same time, it aims to unlock the blue economy's potential to become a driver of nature conservation and sustainable development outcomes.

The GBW event focused on the nexus of climate change, nature conservation, and the blue economy, showcased the GBW as the first-of-its-kind impact-driven regional initiative which is expected to scale up and accelerate ocean-climate action in Africa.



Africa Climate Resilient Investment Facility (AFRI-RES) a joint initiative of the AfDB, AUC and ECA is a boost to climate proofing infrastructure in Africa

In Sharm El Sheik, Antonio Pedro, ECA Executive Secretary a.i called for investments in infrastructure that would be resilient to climate change. He said climate change has pushed countries to spend almost 5 percent of their GDP in adapting to its impacts. The continent already has an infrastructure financing gap of more than \$100 billion per year, according

to the African Development Bank and there is therefore a case for Africa to ramp up investment in developing infrastructure that is vital to improving the standards of living for the African citizens as well as for the continent's global competitiveness. There is an urgent need to close Africa's infrastructure deficit at scale and at speed if the continent is to meet its development objectives - as stipulated in various national development plans, the UN 2030 Agenda for Sustainable Development, and Agenda 2063. Closing the infrastructure development gap requires investing up to US\$170 billion per year in sectors such as energy, transport, water, sanitation, urban, and ecosystems. These sectors

are sensitive to the adverse impacts of climate change, including more frequent and intense floods, droughts, and heatwaves.

The establishment of the Africa Climate Resilient Investment Facility – AFRI-RES by the ECA, the African Union Commission, and the African Development Bank is a step forward in supporting countries, regional entities such as river basin commissions, and projects developers with the capacity and tools to integrate climate resilience in investments in key sectors. During its first phase, the ECA and the AUC have led in training and advocacy and the development of a climate knowledge and information portal.



Books and Resources

Existential Priorities of the AfCFTA is an ECA publication which aims to guide and assist stakeholders with the implementation of the African Continental Free Trade Area (AfCFTA) over the next 10 years. Each chapter considers a key area, raises issues for attention and points to possible ways forward. The introduction highlights the progress as of the end of 2021 in operationalizing and implementing the AfCFTA, while identifying the developmental challenges and existential threats ahead. The systems approach requires actions at the national, regional, continental and global levels. It involves continuous learning as a pivotal tenet of socioeconomic transformation and improvement. Lessons learned are continuously brought to bear on policy formulation and implementation. The publication is divided into three parts. Part one has five framing chapters:

Africa in the world, the architecture for Africa's regional integration, two publics, economic integration, and from ratification to implementation. Part two covers energy costs, textiles and clothing, women and youth in trade, and the free movement of people. Part three considers digitalization, technology and innovation, and public health as critical areas during the next 10 years.

Economic Report on Africa 2021: "An estimated **\$18 - \$30 billion** a year will be needed over the next two decades for climate action and climate change adaptation in Africa, with nearly \$1 trillion worth of investments and projects ready to be financed."

Contact: jatta-mensahj@un.org for queries.

For more, download the report here: <https://www.era-report.org>

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Contributors: Annita Tipilda Annies, Busani Bafana, Emeka Anuforo, Ernest Cho Chi, Eve Sabbaugh, Joseph Attah-Mensah, Mercy Wambui, Praise Nutako, Stephane Bellerose, Uzoamaka Madu.

Design by: AfDB Graphic Design Team (Justin Kabasele, Yattien-Amiguët Laetitia, Gnabro Guy-ange, Konan Arsène-Stéphane & Konan Batikpa Emmanuel)

Queries: eca-info@un.org

