

Financing Sustainable Economic Transformation: *Foreign and Private Financing*

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Financing Sustainable Economic Transformation
Abidjan, Côte D'Ivoire
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An after-lunch quick refresher!



Our Structural Economic Deficiencies: ...

- **High external debt**
- **Major root causes:**
 - **Energy deficit**
 - **Food deficit**
 - **Low value-added industrialization**



Africa's Exports

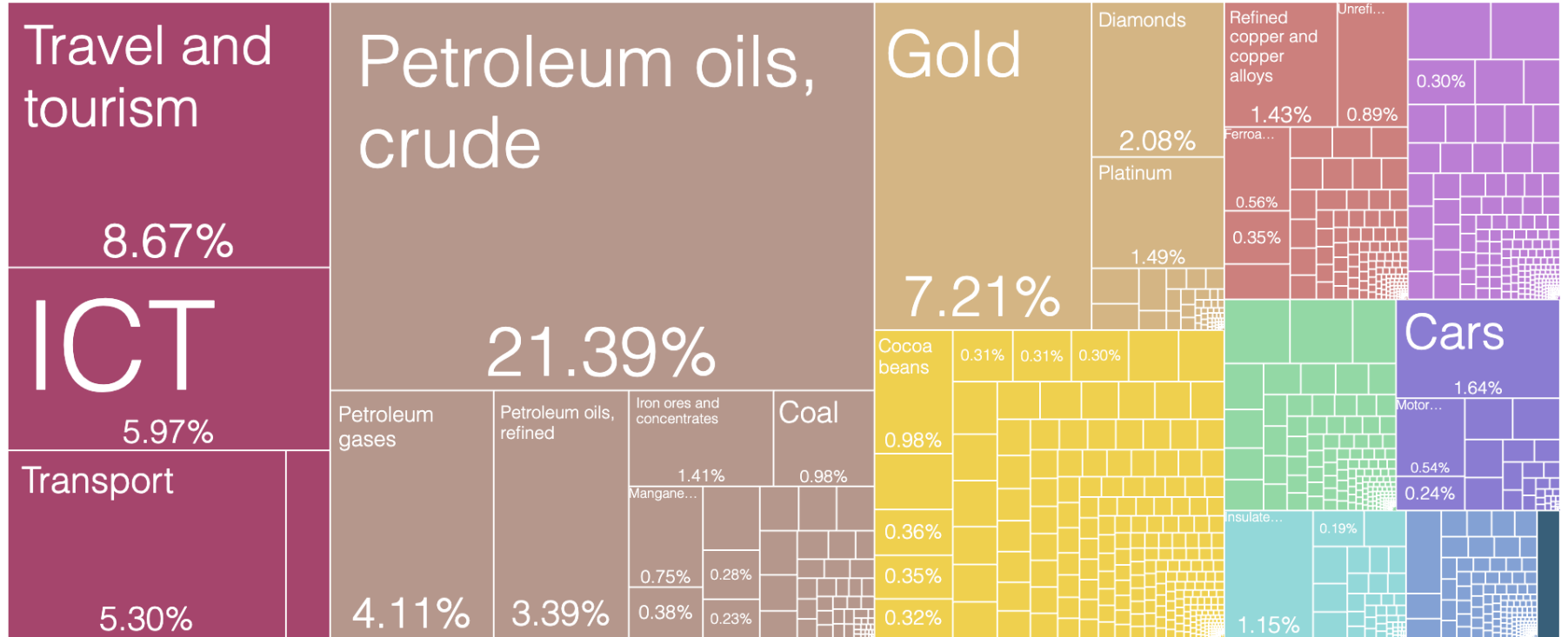
EXPORTER
Africa

IMPORTER
All countries

PRODUCT
All products

YEAR
2019

Shown: \$585B | Total: \$585B





Africa's Imports

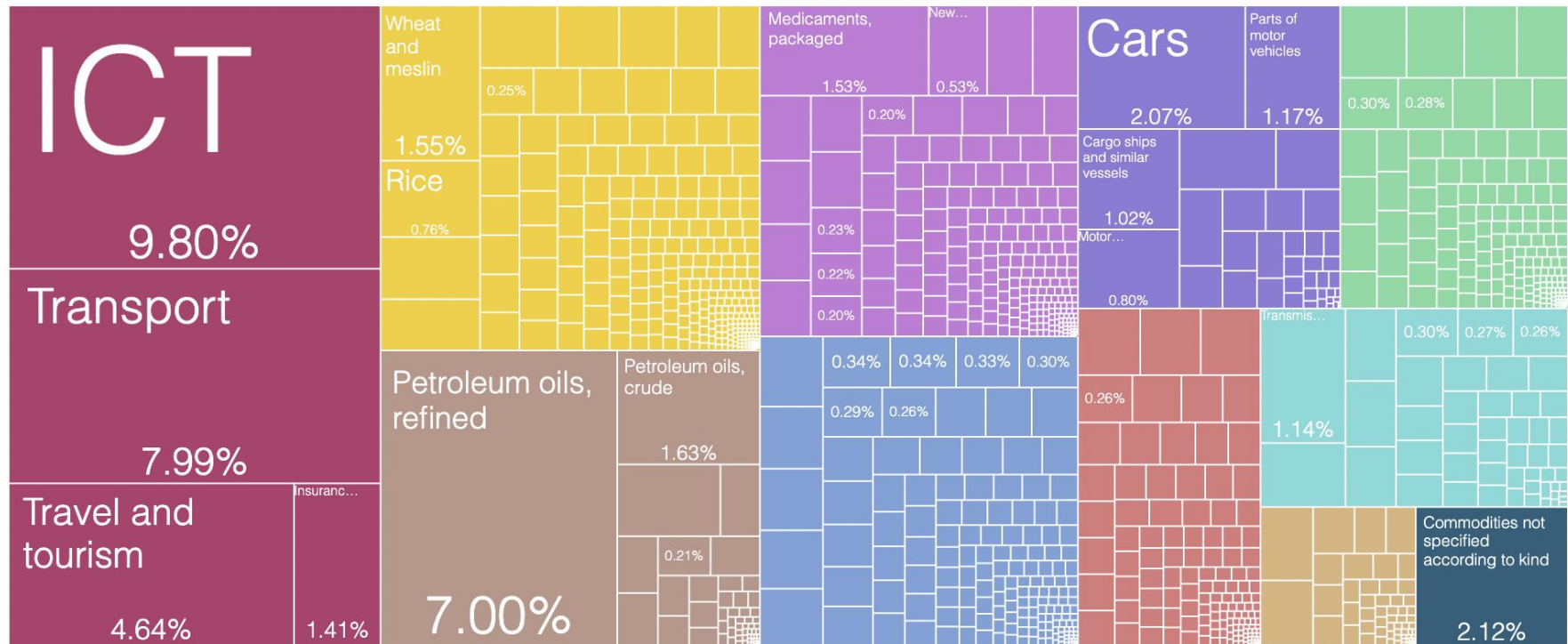
EXPORTER
All countries

IMPORTER
Africa

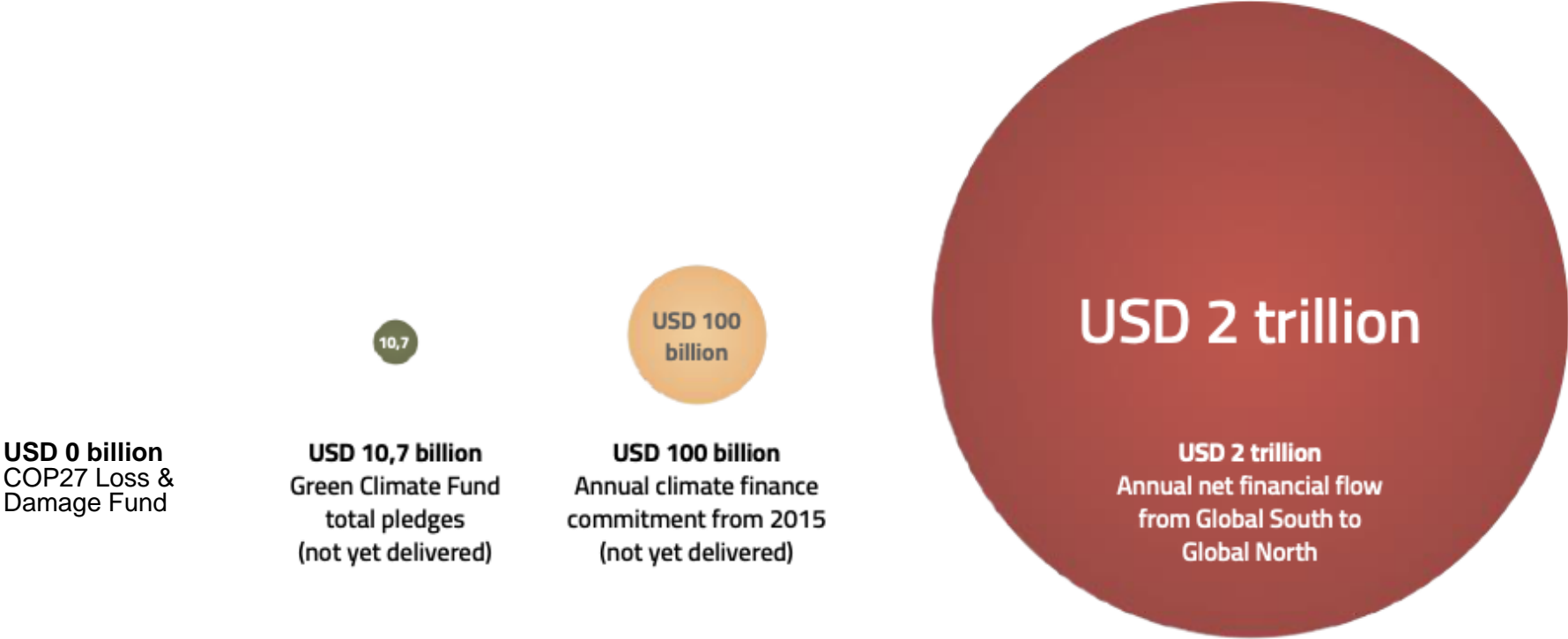
PRODUCT
All products

YEAR
2019

Shown: \$737B | Total: \$737B i



The result is net neocolonial wealth extraction of over \$2 trillion from the Global South to Global North every year



Source: Global Financial Integrity



Structural Solutions:

- **Pan-African Cooperation for strategic investments in:**
 - Food Sovereignty
 - Renewable Energy Sovereignty
 - High value-added industrial policies
- **Structural transformation of the Global Financial Architecture and International Trade System**



- ❖ **What role can foreign and private financing play in facilitating sustainable economic transformation?**
- ❖ **What is the role of governments, regulators, and MDBs in facilitating the role of foreign and private financing?**



What not to do:

- Accelerate the engines of external debt
- Accelerate the engines of extractivism
- Accelerate brain drain from the Global South
- Encourage low value-add & assembly-line industrialization
- Accelerate exports of cash-crops
- Encourage investments in fossil fuel (stranded) assets
- Encourage consumerism
- Turn a blind eye on illicit financial transactions
- Turn a blind eye on corruption
- Turn a blind eye on abusive market power
- Perpetuate the engines of the status quo



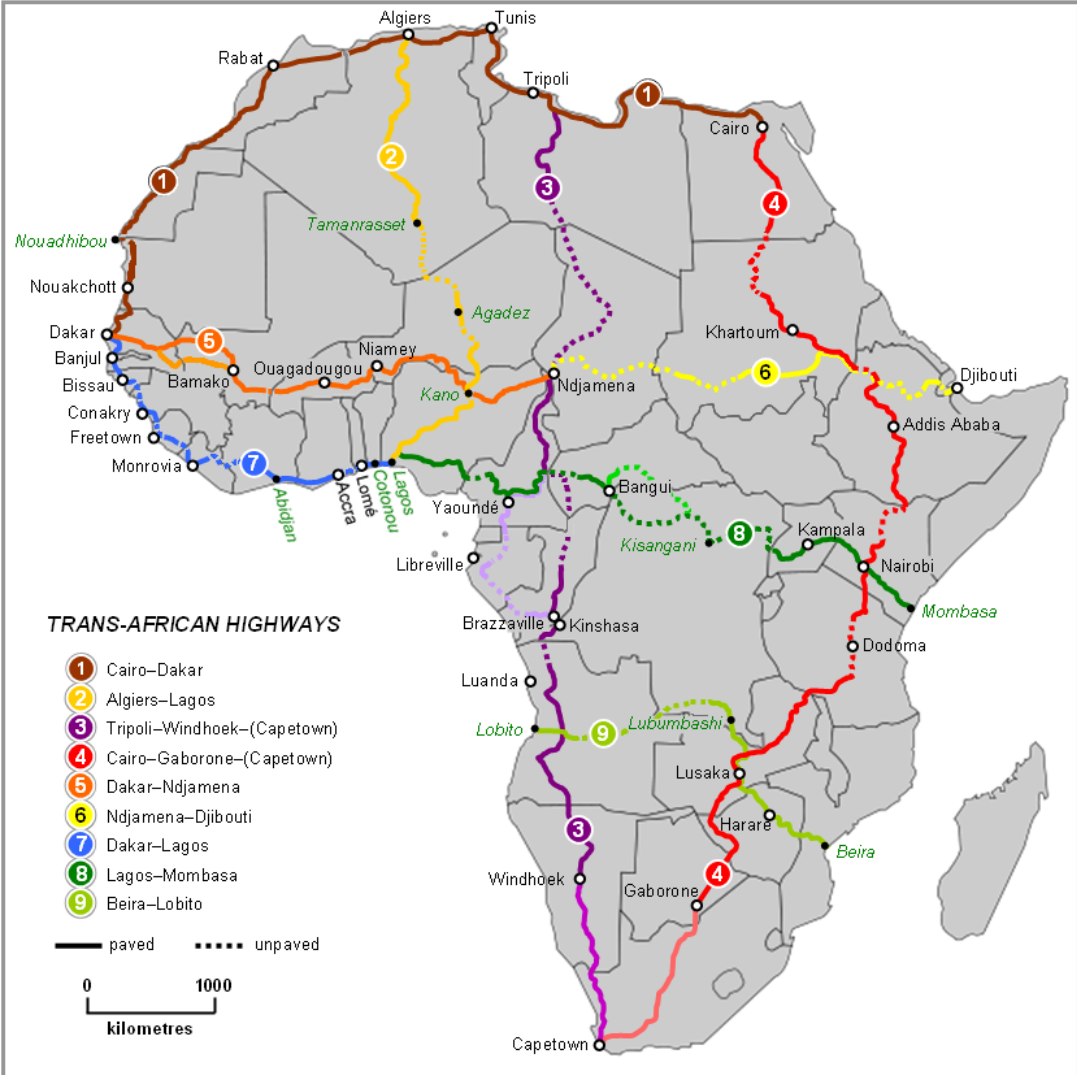
What can MDBs, RDBs and national authorities do:

- **Agree on long-term structural transformation policies.**
- **Commit to financing such policies.**
- **Adjust Capital Adequacy Ratios accordingly**
 - **Green-Energy CAR**
 - **Agri-CAR**
 - **High-Value-Added CAR**
- **Set PPP guidelines accordingly (re-direct monopoly power)**
- **Align climate finance with development strategies**
- **Encourage selective FDI incentives**
- **Set the terms of ODA accordingly**
- **Enhance South-South and South-North cooperation accordingly**



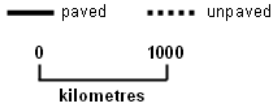
A simple example (domestic/foreign financing):

- **\$100 million solar project (the mainstream approach):**
 - Country X borrows \$100 million to fund the project
 - Only \$80 million is used for actual imports of solar panels/equipment
 - \$20 million is used to fund food imports (or to service external debts)
 - The equivalent of \$20 million in national currency is provided by the central bank to cover the domestic materials/labor cost for the solar project.
 - The country now must pay debt service on \$100 instead of just \$80 million
- **Is the foreign partner complicit in perpetuating a debt trap?**
- **Can the domestic material/labor cost be financed locally?**



TRANS-AFRICAN HIGHWAYS

- 1** Cairo-Dakar
- 2** Algiers-Lagos
- 3** Tripoli-Windhoek-(Capetown)
- 4** Cairo-Gaborone-(Capetown)
- 5** Dakar-Ndjamena
- 6** Ndjamena-Djibouti
- 7** Dakar-Lagos
- 8** Lagos-Mombasa
- 9** Beira-Lobito



Trans African Highways/Railways as a roadway for strategic industrialization

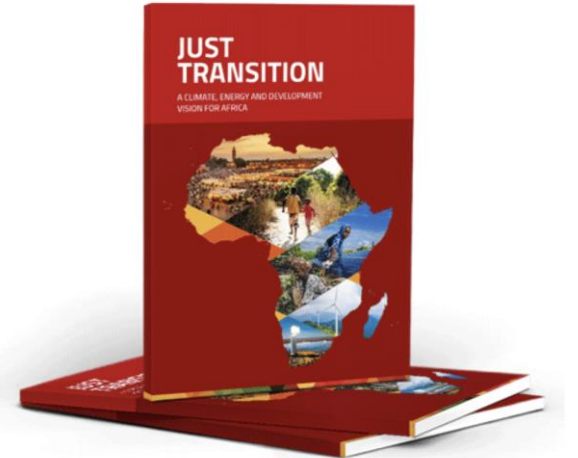
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A CLIMATE, ENERGY AND DEVELOPMENT VISION FOR AFRICA

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JustTransitionAfrica.org



Thank you!
Questions & Comments

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INTERGOVERNMENTAL
GROUP OF TWENTY FOUR

