

The Finance Landscape in Africa: Does Development Assistance Still Have a Role?

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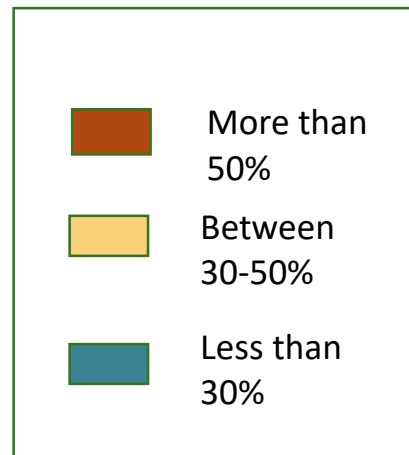
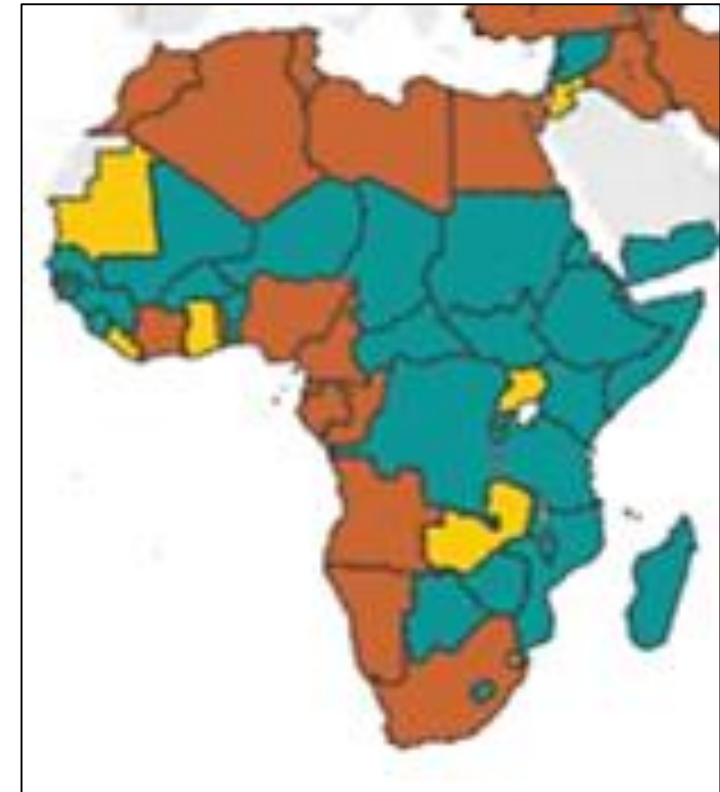
September 13, 2018

Growth of non-ODA flows since mid-2000s

2004



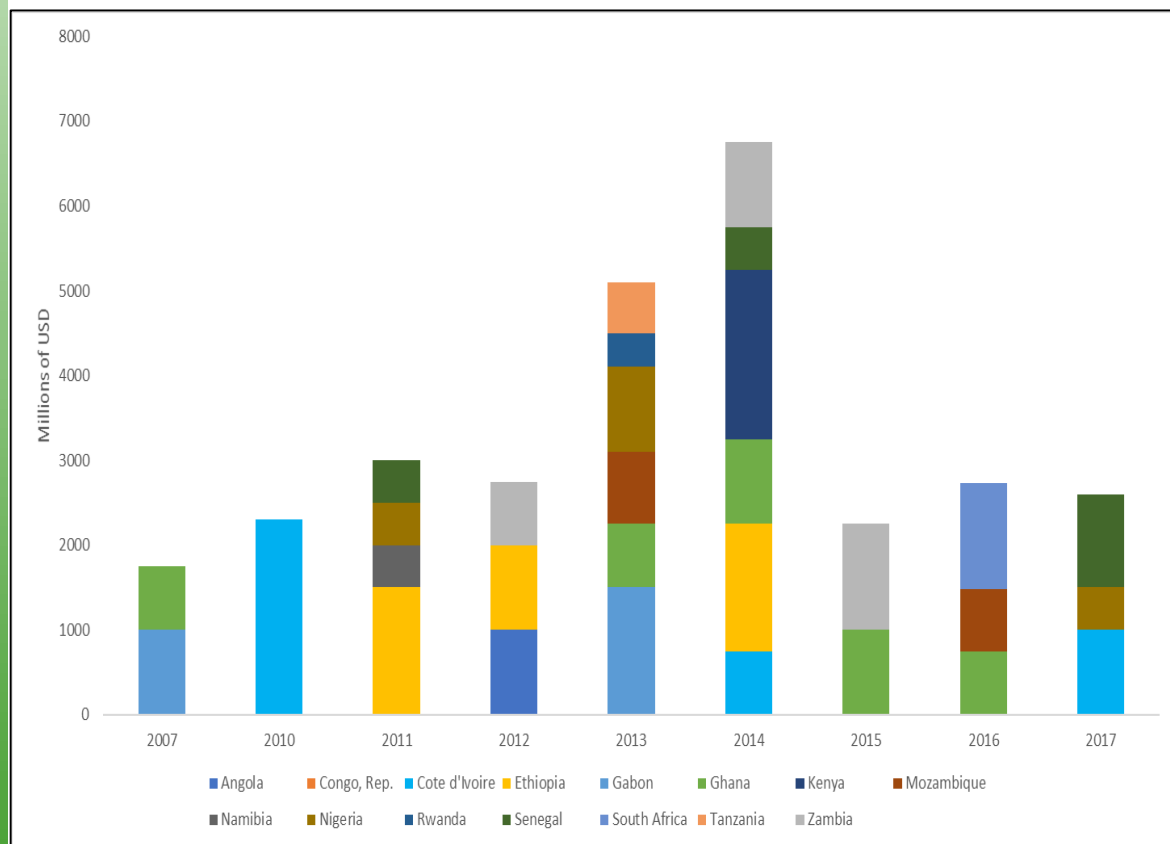
2015



Source: OECD

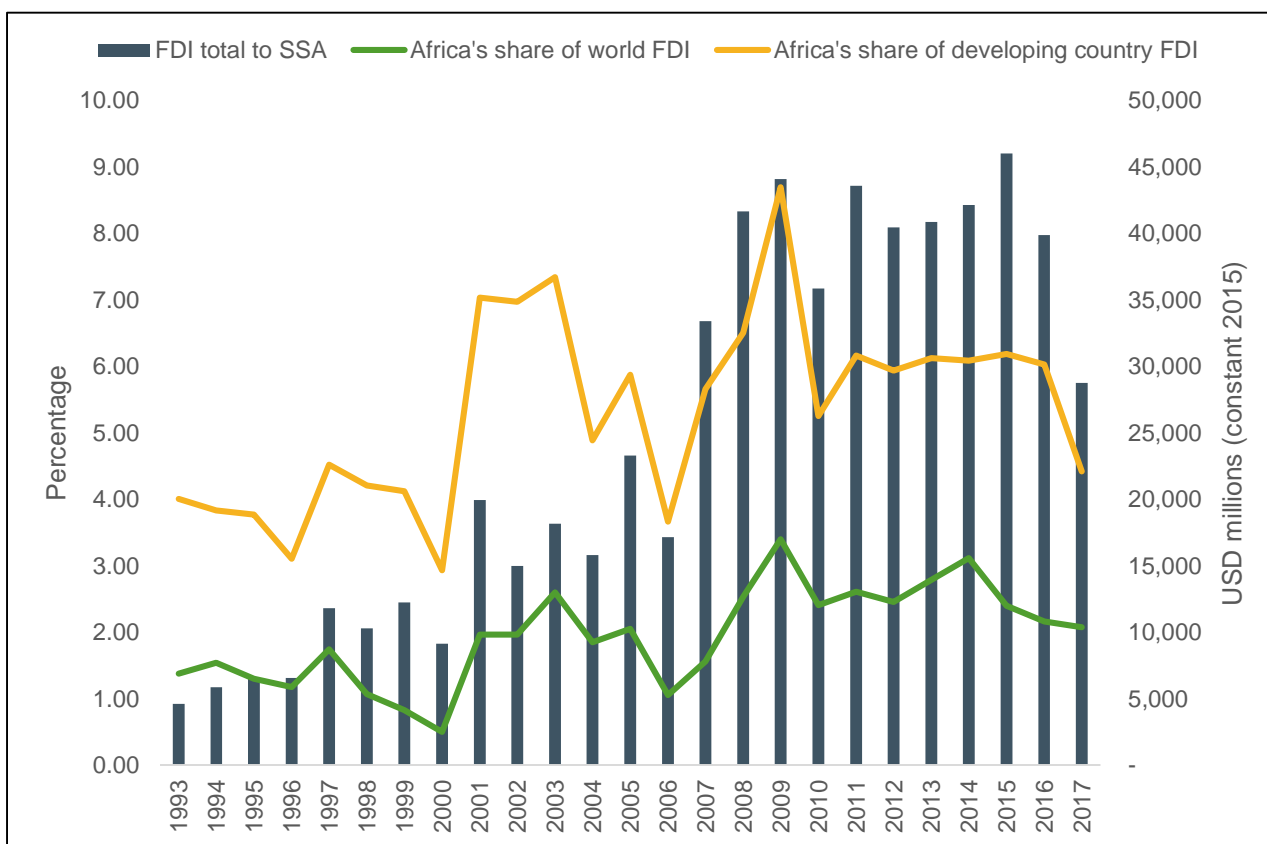
Private finance more pronounced...with caveats

Eurobond issuances, 2007-2017



Source: Compiled from various sources.

Trends in FDI



Source: Calculated from UNCTAD

Aspirations to move beyond aid by middle-income countries

“Ghana Beyond Aid” Agenda

“It is time to build our economies that are not dependent on charity and handouts ... we are not disclaiming aid, but we do want to discard a mindset of dependency... it is unhealthy for both the giver and the receiver.” (Nana Akufo-Addo, President of Ghana, 2017)



Industrial policy aspirations, requiring new sources of funding

- \$2 billion from China for road projects in exchange for bauxite
- Considering century bond worth \$50 billion for industrial development

Ghana is not unique

- SDG 8 and 9 place greater emphasis on jobs, industry, innovation and infrastructure



Implications of the new finance environment

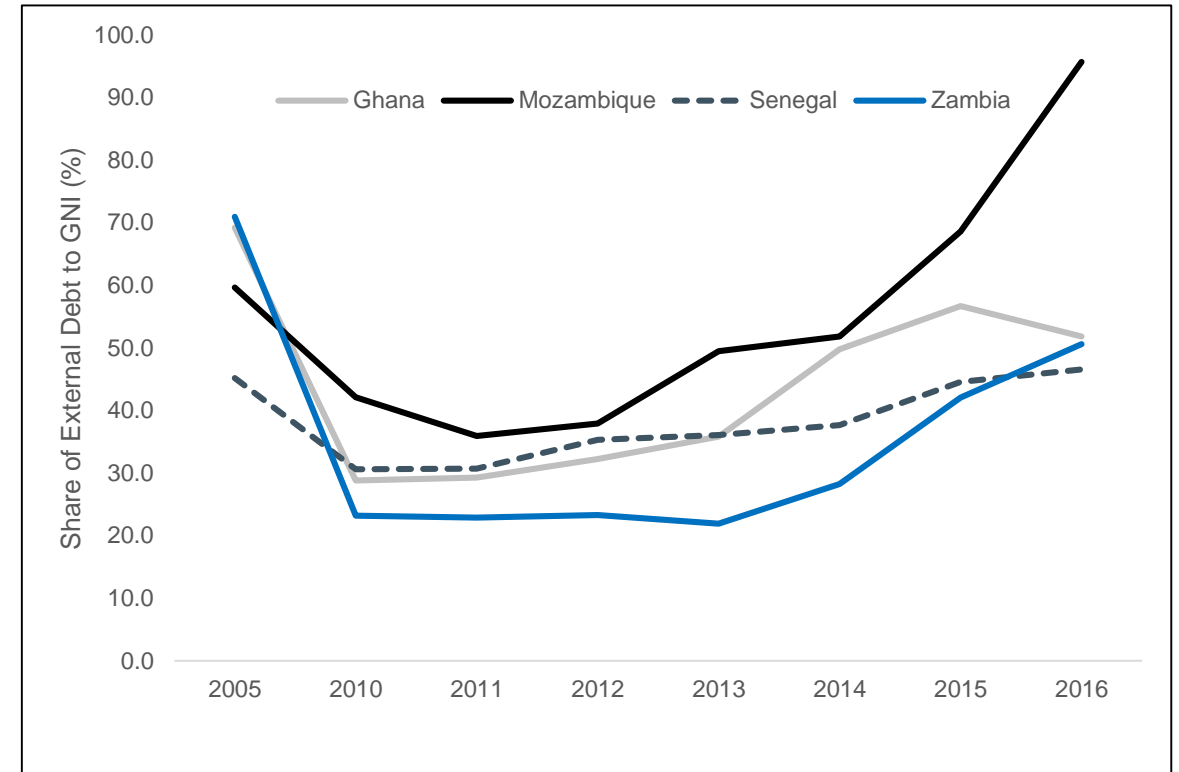
Pros

- Markets tend to reward those with more responsible macro frameworks
 - *Ghana versus Senegal*
- Eurobonds offer potential for greater legislative oversight than donor finance
 - *NPP in Ghana opposed the 2015 launch*
- More opportunities for subnational entities (e.g. municipal bonds)

Cons

- Debt levels rising again just as 30 have received full amount of HIPC/MDRI relief
 - *Reduction of cash transfers by 24% in Zambia*
- Timing of Eurobonds has been linked to elections, reinforcing incumbent advantage

Debt...and Déjà Vu?

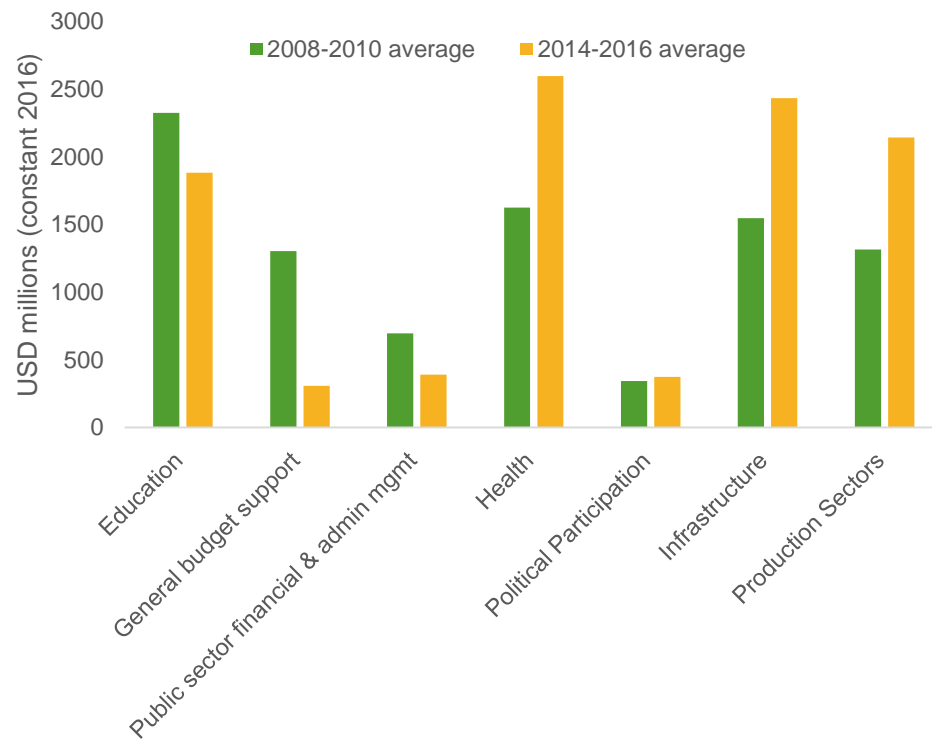


Source: IMF International Debt Statistics

Continuing role for development assistance?

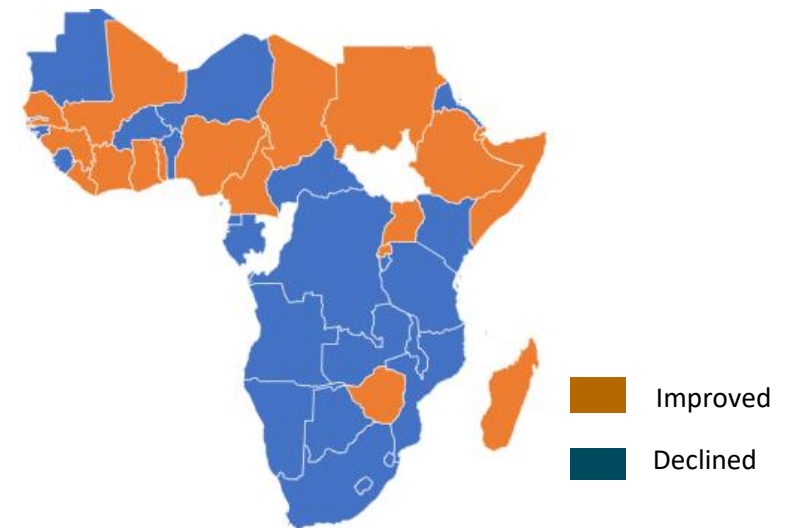
- Supporting capacity of the public sector, especially for debt management

Composition of ODA Disbursements



Source: OECD CRS

Change in Public Sector Management, 2014-2016



Source: Ibrahim Governance Index

Continuing Role for Development Assistance?

- **Regulatory reforms** – food safety, seed safety, land governance, pesticides
 - *Example of herbicides in West Africa*
- **Policy coordination** – reconciling fragmentation created by Paris Declaration
 - *Example of New Alliance Commitments and crop cess in Tanzania*
- **Tax mobilization and tax policy consistency**
 - *Example of tax exemptions in EPZs but growth of informal sector taxes*



Array of herbicides with vary quality
Source: Hagblade 2018



Billboard in Lusaka, Zambia
Source: Resnick 2018