



AFRODAD QUARTERLY NEWSLETTER

AFRODEBT

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Greetings from the African Forum and Network on Debt and Development (AFRODAD)!

The communication desk brings to you the AFRODAD newsletter which we briefly refer to as Afrodebt. This newsletter covers the period of the quarter which we have just concluded. It also introduces activities that we have already started working on even if they will be completed during the second quarter. We believe you will find it informative and we encourage you to visit our website www.afrodad.org for more details about our activities and their impact. Also, feel free to give us feedback and to contribute articles and other content to this letter through email at fidelite@afrodad.co.zw. You do have the permission to share it out.

Enjoy reading!



We are pausing to celebrate achievements experienced in the quarter that has just ended while strategizing on moving forward with new zeal and efficiency for an impactful second quarter. We celebrate with all our partners, both financial and programmatic.

**~ Dr. Fanwell Kenala Bokosi,
AFRODAD's Executive Director ~.**



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AFRODAD IS CONTRIBUTING TO THE STRENGTHENING OF EXTRACTIVE INDUSTRIES REVENUE MANAGEMENT IN AFRICA.

The paradox of plenty that is commonly known as the resource curse is one of the issues that AFRODAD contributes to curbing whether in its own programmes or in partnership with like-minded organizations. It's in that regard that AFRODAD participated at the 9th Alternative Mining Indaba (AMI) that was held in Cape Town, South Africa from 6-8 February 2018. The event's theme was "**Making Natural Resources Work for the People: Towards Just Legal, Policy and Institutional Reform**" and it was attended by more than 500 delegates from non-governmental organizations, churches and community representatives from mainly mining affected communities from across the continent.



Resource curse
or fair benefit?

Thematic issues for discussion were: Human Rights Defenders; The Curse of Natural Resource Policies; Gender and Legal reforms; Independent Problem Solving Mechanism; Policies and laws that facilitate the benefit sharing for local people as well as Faith and the Extractives Sector. This annual event gave AFRODAD an opportunity to showcase and disseminate the AFRODAD 2017 research studies, share and discuss their findings and recommendations through hosting a side event during the AMI. AFRODAD used this opportunity to engage with a wide range of stakeholders while discussing study findings and recommendations. Showcased studies were: Developmental Impacts of IFFs, AMV study – the AMV regional analysis, Commodities Studies and the synthesis report. These are available at our website <http://afrodad.org/index.php/center-of-excellence/research/domestic-resource-mobilization/2017>

Detailed information about the AMI is found at <http://altminingindaba.co.za/>

AFRODAD IS CONTRIBUTING TO STRENGTHENING INCLUSIVE, TRANSPARENT AND ACCOUNTABLE PUBLIC DEBT BORROWING AND LOAN CONTRACTION PROCESSES



On the 21 February 2018, Dr. Fanwell Kenala Bokosi, Executive Director of AFRODAD, and the Senior Policy Analyst & acting Head of Programmes Mr. Tirivangani Mutazu, met the Hon. Dharmender SESUNGKUR, Mauritius Minister of Financial Services and Good Governance. The meeting was

called by him after he read the report AFRODAD compiled on Debt Management in Mauritius. The minister would like AFRODAD to assist in the implementation of some of the recommendations made in the report!

In this report, one of the concerns was that Mauritius total public debt stock had been on a rising trend in recent years and it was relatively high for an emerging economy. Nonetheless, according to the most recent debt sustainability analysis conducted by IMF, the public debt outlook was broadly positive. Although the public debt stock to GDP ratio is somewhat high for an emerging economy, public debt remains resilient to shocks and exposure to risks is limited. In this regard, a sound debt management strategy is adhered to.

AFRODAD made solid recommendations that you can find on page 25&26 of the report <http://afrodad.org/index.php/center-of-excellence/research/debt-management/2017>

AFRODAD IS CONTRIBUTING TO ENHANCING THE CAPACITY OF GOVERNMENTS TO UNDERSTAND AND ENGAGE ON IMPLICATIONS OF PUBLIC FINANCE FROM EMERGING SOURCES, AND MONITOR ITS DEVELOPMENT ON POVERTY REDUCTION.

Monitoring New Development Bank lending policies and practices

In March 7th, AFRODAD participated in a multi-stakeholder meeting organized by Oxfam and African Monitor in Johannesburg, South Africa. The meeting deliberated on CSOs engagements with the New Development Bank. This was part of the CIVIL BRICS process which feeds into

the official BRICS activities under the SA presidency. AFRODAD provided an African perspective on the NDB. During the course of the year AFRODAD will continue to be part of CSO engagements lobbying for the bank to be more transparent and come up with an information disclosure policy

AFRODAD IS ADVOCATING AND MOBILISING SUPPORT FOR FORMULATION AND IMPLEMENTATION OF RULES AND REGULATIONS TO TACKLE ILLICIT FINANCIAL FLOWS (IFFS) FROM AFRICA.

African countries lose on average \$50 billion annually through illicit financial flows. Commercial activities by the private sector are by far the largest contributor to IFFs, followed by organized crime, then public sector activities. Corrupt practices play a key role in facilitating these outflows. Multinational corporations shift profits to subsidiaries in low-tax or secrecy jurisdictions where in many cases, those subsidiaries exist on paper only, mostly with one or two employees, while the bulk of the activities of the company occur in another country.

One of AFRODAD’s objectives is to “Advocate for formulation and implementation of rules and regulations to tackle IFFs” and that’s why, in partnership with the Center for Economic and Policy Priorities (CEPP), AFRODAD hosted its second high level stakeholder Regional Dialogue on Curbing IFFs from Africa at the Grand Legacy Hotel in Kigali, Rwanda, from the 21st – 22nd of March 2018.

**The theme of the workshop was:
Escalating the Role of Parliament and Civil Society in Curbing IFFs from Africa – Promoting Increased Transparency of Decision Making on Tax and Financial Transparency.”**



The Conference was attended by 50 delegates including MPs, CSOs and Media from Africa, Asia and Europe. Countries represented at the conference include Belgium, Botswana, Burundi, DRC, Kenya, Malawi, Mozambique, Mauritius, Nigeria, Peru, Rwanda, Tanzania, Uganda, and Nepal

Dr. Fanwell Kenala Bokosi, the Executive Director made opening remarks that really expanded on how the dialogue was a contribution to AFRODAD's mandate of contributing to ensuring that the African continent does not slide back into being heavily indebted. This is the main reason why AFRODAD is focusing on influencing African governments to institute and implement policies and practices for sustainable development and eradication of poverty through development and implementation of sustainable debt policies; transparent, accountable and efficient mechanisms for mobilization and utilization of domestic resources and effective use of international public finance. Much focus must be given to domestic resource mobilization (DRM) if Sustainable Development Goals (SDGs) are to be reached. Fifteen years is such a short time to achieve such ambitious SDGs targets. One strategy, however, is supporting national steps towards sustainable development through increasing taxes and other incomes into treasuries of various governments in Africa, but accounts seem to be leaking. There is a challenge because DRM efforts are being hindered by a giant called IFFs.

The meeting was officially opened by Mr. Moses KAYIJUKA, Director General of Capital Markets and Investment Schemes Unit who was the guest of honor from the Ministry of Finance and Economic Planning (MINECOFIN), the Republic of Rwanda. He said that illicit financial flows out of Africa have become a matter of major concern because of the scale and negative impact of such flows on Africa's development and governance agenda. He also emphasized that Rwanda had been working to bring IFFs to an end in Rwanda thus His ministry encourages AFRODAD to continue its good work.

Recommendations and the way forward led by AFRODAD and a committee which was formed to ensure impactful actions would result from this dialogue are fully elaborated in the report "AFRODAD's Dialogue on Illicit Financial Flows: **D**iscussions, **R**ecommendations and **M**eans Forward."



OUR LATEST ARTICLE

RECOMMENDATION SUBMITTED BY AFRODAD TO THE INDEPENDENT EXPERTS MEETING ON FINANCE, MONETARY AFFAIRS, ECONOMIC PLANNING AND INTEGRATION

In his article submitted to the Independent Experts Meeting on Finance, Monetary Affairs, Economic Affairs and Integration, Dr. Fanwell Kenala Bokosi, Executive Director of AFRODAD submitted recommendations during the session titled *Mobilizing Private Investment in Public Projects*. At some point in his article he said:

Despite the promotion of PPPs, private finance only provides about 15–20 per cent of total infrastructure investment globally. The majority of funding for infrastructure in both developed and developing countries is the domain of the public sector. While private sector has the potential to contribute to funding infrastructure development, it is the improvement of the public sector delivery that will be critical to address the continent's infrastructure needs.

These recommendations are focused on Public-private partnerships (PPPs) and spring from years of work that AFRODAD has done in the area of PPPs.

Background:

PPPs are increasingly promoted as a way to finance development projects and as a new way to entice the private sector to finance public projects. Following the FFD conference in Addis Ababa in 2015, there has been an increased urgency by many African governments to use PPPs as means to deliver on the SDGs. A number of African states have put in place changes in national regulatory frameworks to allow for PPPs, as well as provide advice and finance to PPP projects.

However, it is important to note that despite the promotion of PPPs, private finance only provides about 15–20 per cent of total infrastructure investment globally. The majority of funding for infrastructure in both developed and developing countries is the domain of the public sector. While private sector has the potential to contribute to funding infrastructure development, it is the improvement of the public sector delivery that will be critical to address the continent's infrastructure needs.

While PPPs can provide Member States the opportunity to leverage resources from the private sector, PPPs are complex contractual undertakings and bear borrowing risks. To avoid that the contingent liability of PPPs turns into a debt burden, Member States must strengthen PPP frameworks and regulation at the national and regional levels. This requires legal, managerial, and technical capacities to clarify the roles and responsibilities of contracting partners, provide clarity in case of litigation, plan and monitor implementation effectively, and carry out robust investment appraisals and financial analysis.

Evidence:

AFRODAD together with its partners (Eurodad and Latindad) conducted a study in 2015 on PPPs and the evidence shows that they can often go wrong, sometimes very badly. The report used the following framework to analyse PPPs, taking into account:

1. Budgetary affordability of PPP options as compared with public procurement alternatives;
2. Level of efficiency in delivering the services, including a fair and comprehensive risk assessment;
3. Poverty reduction and the fight against inequality, which means assessing the sustainable development impacts of PPPs, including affordable access to the poor and impacts on the environment;

Democratic systems in place to manage the project, which includes project selection criteria and the ability to adequately negotiate, manage and monitor projects throughout their lifespan. This also implies considerations in relation to transparency and accountability mechanisms.

The Findings of the Report:

1. PPPs are, in most cases, the most expensive method of financing, significantly increasing the cost to the public purse;
2. PPPs are typically very complex to negotiate and implement and all too often entail higher construction and transaction costs than public works;
3. PPPs are all too often a risky way of financing for public institutions;
4. The evidence of impact of PPPs on efficiency is very limited and weak;
5. PPPs face important challenges when it comes to reducing poverty and inequality, while avoiding negative impacts on the environment;
6. Implementing PPPs poses important capacity constraints to the public sector, particularly in developing countries;

PPPs suffer from low transparency and limited public scrutiny, which undermines democratic accountability and leads to corruption and illicit financial flows.

Research From others

These findings on PPPs have also been confirmed by a more recent report by the European Court of Auditors (2018) which analysed PPPs in Europe funded by the EU-Funds and concluded as follows:

1. PPPs cannot be regarded as an economically viable option for delivering public infrastructure;
2. There were widespread short comings and delivered limited benefits and that the EU funds used in PPPs were an inefficient and ineffective spending;

Value for money and transparency were undermined due to

- (i) unclear policy and strategy
- (ii) inadequate analysis,
- (iii) off-balance sheet recording
- (iv) a balanced risk sharing arrangement, it was inappropriate, incoherent and ineffective.

Recommendations to the Ministers:

Based on the analysis above AFRODAD therefore submits the following recommendations

1. Do not promote more intensive and widespread use of PPPs until some issues raised above have been addressed

2. Analyse the true costs of PPPs

- I. Base PPPs on sound comparative analysis of best procurement option;
- II. As PPPs are an expensive form of debt, sensible accounting practices should be adopted, for instance:
- III. Include PPPs in national accounts, i.e. they get registered as a government debt, and therefore are part of debt sustainability analysis, rather than being off balance sheet; and
- IV. Explicitly recognise the risk of hidden contingent liabilities should the project fail, through adequate risk assessment;
- V. Select the best financing mechanisms, including examining the public borrowing option, on the basis of an analysis of the true costs and benefits of PPPs over the lifetime of the project, taking into account the full fiscal implications over the long-term and the risk comparison of each option;
- VI. Ensure that the necessary administrative capabilities and clear PPP policies and strategies to implement successful PPPs are in place.

3. Be transparent and accountable:

Member States should proactively disclose documents and information related to public contracting in a manner that enables meaningful understanding, effective monitoring, efficient performance, and accountability of outcomes in order to mitigate the financial impact of delays and re-negotiation on the cost of PPPs borne by the public sector.

4. Put development outcomes at the forefront:

Projects should be designed and selected to benefit everyone in society through the delivery of sustainable development outcomes, in agreement with national and democratically driven development strategies. This means ensuring affordability of services for the public sector and the users, as well as addressing equity concerns in terms of equitable access to infrastructure services, and avoiding negative impacts on the environment.

Member States should develop clear outcome indicators and effective monitoring to measure the impacts of PPPs on the poor, from the project selection phase to the operational phase of the project.

OUR RECENT STUDIES AND OTHER PUBLICATIONS

- An Analysis of Loan Contraction and Debt Management: The Case of the Republic of Mauritius
- West Africa Debt Profile
- South Africa Debt Profile
- North Africa Debt Profile
- East Africa Debt Profile
- Central Africa Debt Profile
- Southern Africa Aid Profile
- North Africa Aid Profile
- Western Africa Aid Profile
- Eastern Region Aid Profile
- The Developmental Impacts of Illicit Financial Flows in SADC
- Country AMV Report_ The Case of Malawi
- Country AMV Report_ The Case of South Africa
- Country AMV Report_ The Case of Angola
- Country AMV Report_ The Case of Mozambique
- Country AMV Report_ The Case of Tanzania
- Country AMV report_ The Case of Zimbabwe
- Country AMV report_ The case of Zambia
- Impact of Fluctuating Commodity Prices_Oil_Angola
- Impacts of Fluctuating Commodity Prices_ Synthesis Report
- Impacts of Fluctuating Commodity Prices Platinum_Zimbabwe
- Impacts of Fluctuating Commodity Prices_ Copper_ Zambia
- AFRODAD AMV Regional Report
- Press Release - Validation of Study Report in Mauritius
- <http://www.imf.org/external/pubs/ft/fandd/2018/03/point1.htm>
- Recommendation Submitted by AFRODAD to the Independent Experts Meeting on Finance, Monetary Affairs, Economic Planning And Integration
- Towards Building a Fair and Orderly International Framework for Sovereign Debt: Restructuring an African Perspective
- ODA neglecting poorest countries in the Sub-Saharan Africa

OTHER IMPORTANT DETAILS

To read more on AFRODAD's work on its impact visit our website on <http://afrodad.org/index.php/our-success>
 Details on our latest publications are on <http://afrodad.org/index.php/center-of-excellence/research/>
 For our media activities see <http://afrodad.org/index.php/news-2/press-room>

UPCOMING EVENTS

Capacity Building for Malawi Media on Mineral Resource Governance.

Launch of the Revised AFRODAD Borrowing Charter in Zambia.

Launch of the "Analysis of the Loan Contraction Process and Debt Management: The Case of Rwanda."

AFRODAD's Board Meeting in Harare, Zimbabwe

AFRODAD at the Independent Expert Meeting on Finance, Monetary Affairs, Economic Planning and Integration 9 - 10 April 2018, African Union Commission Headquarters, Addis Ababa, Ethiopia

AFRODAD at the Pan-African Fight Inequality Alliance Gathering in Arusha, Tanzania on 14th- 17th 2018.

AFRODAD at the IMF/World Bank 2018 Spring Meetings' Civil Society Policy Forum (CSPF).

AFRODAD at the Independent Expert Meeting on Finance, Monetary Affairs, Economic Planning and Integration <https://au.int/en/ea/keyevents/stc-fmaepi>

AFRODAD at the 2018 ECOSOC Forum on Financing for Development follow-up (FFD Forum) to be held in New York from 23 to 26 April 2018 <http://www.un.org/esa/ffd/ffdforum/>

AFRODAD at the AFDB Civil Society Forum Taking Place from 07th – 09th May 2018 in Abidjan, Cote d'Ivoire.

AFRODAD at the African Policy Circle Meeting at Abuja on 24th and 25th May 2018. Theme: Migration (Illegal migration out of Africa, and forced displacement in Africa).

AFRODAD at the 2018 AFDB Annual Meetings Taking Place In Busan, Republic of Korea, from the 21st – 25th May 2018.

AFRODAD at the BRICS 2018 Summit <https://www.thesouthafrican.com/south-africa-will-host-the-10th-brics-summit-in-july/>

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