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THE IMPACT OF CREDIT RATINGS ON THE COSTS OF DEVELOPMENT FINANCE IN AFRICA

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OPENING REMARKS:

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DISCUSSION:

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CLOSING REMARKS:

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ALOYSIUS UCHE ORDU: Good morning, everyone. Wow, that sounds so tepid. Good morning, everyone. That's much, much, much better. Thank you. Thank you. Thank you very much for joining us this week in the nation's capital. There are 10,000 things happening up and down the city. But you choose to be here with us. We are very, very grateful. We appreciate your time. And the turnout is great. We understand that online there are more than 500 people also tuned in. So this is clearly a topic that is uppermost on many people's minds. Here at the Africa Growth Initiative at Brookings we are marking our 15th anniversary this year. So thank you. Thank you. Thank you. Thank you very much. We are grateful for all the support from you, from our funders, and from our supporters and partners across the African continent and elsewhere in the world.

On this particular auspicious occasion, I'm delighted to be here co-hosting this event with two of our esteemed partners, the UNDP Africa region, the UN. As the authors of the report, which form the basis of our conversation here today. If you do not have one yet, please make sure you pick up a copy. We also have our partner, Africatalyst, which is based in Dakar, Senegal, and the three or four schools in this event. Now, all week, for those who have been here already, a number of conversations have dominated the airwaves, the reform of the World Bank and the multilateral development system and, of course, the selection of the nominee for World Bank president, Ajay Banga. That's all happening this week, culminating in the development committee and everything else above.

In spite of all that, there is the underlying conversation of Africa's debt and what to do about it. In that respect, the timeliness of the UNDP report is particularly auspicious and we are delighted to be discussing this report with you today. I've had the privilege of working at the World Bank, working at the African Development Bank for many, many years. Over 35 years, the two institutions combined. And I've traveled around Africa. Believe me, East, West, North, South. The last time I checked, I've gone to about 40 countries on our continent. I got to tell you that the issue of credit rating. It generates so much, so much conversation as you travel across the continent and the rating agencies biased. The questions I get asked all the time how come they keep sending young people to come and do these assessment instead of experienced hands and other bucket loads of questions? So particularly important to have some of our most senior African ministers here today with us to help us think through some of the challenges, because getting the ratings right are important. Obviously, we cannot attempt to quantify future uncertainty is not an easy thing. And so it's important to hear their perspective. And on that note, I would really like to turn over to moderator today, Maggie Mutesi. Maggie is the managing editor of Mansa Media. I'm excited to learn a lot more from our ministers to hear their conversation. And please join me in welcoming all of them. And Maggie. Thank you very much.

MAGGIE MUTESI: I don't know. Can you hear me? Yes. I'm trying to see if I can come to the microphone. Everyone will come for those joining us online. Good morning to you all. And bonjour. And I'm super excited. My name is Maggie Mutesi. I'm the managing editor for Mansa Media. And today, like Aloysius just mentioned, we're having a very exciting topic, which is looking at the impact of credit ratings, the impact this ratings is having on women's financing in Africa. My hope, and I hope is that this conversation goes beyond discussions in this room to start collective ideas, imagination, action and efforts towards lowering the cost of development, the cost of borrowing in Africa. And as I speak to my panelists, I will be coming back to you, to the audience, to get your ideas, feedback, and I hope you enjoy it. I like to introduce my panelists on stage. We have Ken Ofori-Atta, the Minister of Finance and Economic Planning from the Republic of Ghana. Please welcome him. Thank you. Thank you all. Come. We have Oulimata Sarr the Minister of Economy, Planning and Cooperation from the Republic of Senegal. Admassu Tadesse who is the president of the Trade and Investment Bank of Africa. I hope piece of Africa. I had you say Eastern and Southern Africa. So you can say Africa. It's great to have you all. And I can't wait to engage with you. And I want to come to you. I want to be a minister to help us at this stage of today's conversation. Obviously, the UN report points out that there's a significant overpayment of interest, you know, especially for African countries. But help us understand what could be could be done to address this.

KEN OFORI-ATTA: Thank you very much. It's a very difficult and and painful topic for families, especially at this time when we are watching every dollar that that we have. But it's timely and it's also a period of a lot of agitation and issues of debt and climate change and SDG. So we should be concerned about how we spend money and the whole issue of the global financial architecture, you know, what to do with it about it, and who has the moral strength to do that. African countries do rely on international capital markets and more so these days, as you begin to see sort of IDA support may be declining. So to be able to fund our sustainable development goals, etc., our credit rating therefore become quite crucial for crowding in the required development finance. However, there's a consistently unfavorable credit ratings and negative outlooks and potentially to impede growth, and it really undermines the economic stability that we have. So today, with these policy crises, the pertinent question remains how would Africa mobilize the resources required to meet our needs when we are essentially written off as markets that are riskier thanks to methodology? I believe that has been in dire need of reform since the crisis in 2009. So just to place this in context and then we hand over. So as recently as 2020 to a 29 year US €1 billion bond issued by my country at a coupon rate of 8.95%. Essentially, Ghana will pay 89.5 million in coupons per year, translates to coupon payments of 2.6 billion over the lifetime of the bond. You have to remember that we started with $1 billion and it was very good. But even more during the same time, Greece also issued a 30 year one. We had a 29 year bond for two and a half billion at a coupon rate of 1.88%. Ours was 8.95%, meaning that despite Greece's and defaulting on its debt as recently as 2015, it was in the and pain. If you are looking at equivalent to what can I was doing paying $18.8 million a year and therefore by the end of the period may be $551 million over the 29 year period. So 18.8 million for Greece, 89.5 million for Ghana on a year to year basis, five 551 million in 29 years for Greece, 2.6 billion for Ghana in that period. And so you ask what exactly is the risk that is being built into these models that causes Ghana to pay such a price for Them for coming into to this the same market? What is this African premium? So that's, I guess, a legitimate way of taking money out of the continent. Then as you know, we also have, what do they call it, again, illicit financial flows. Of another 89 billion a year begin to add up. And why is a continent poor? And then we also pay these surcharges to our multilateral development companies. So the whole system is sort of rigged, geared towards making the uses of our resources difficult to justify. And now it seems we are paying more money and interest than we can afford to support our education and health. So it goes to the heart of real people. The 1.3 billion, not just finance ministers wanting more money, India reserves. And that's where we are. And that is what in my mind the credit rating agencies represent. So is it time to have our own very serious question and to build a credibility for the asset managers to be dependent on them and understand it? You know, why would there be differences between credit ratings for domestic investors and foreign currency, the same country? So let me leave it at that. But it's not a very nice picture.

MAGGIE MUTESI: When our own would actually be more effective. I think that's something we can come back to. But essentially, we're paying more money that could have been used for other department purposes. I think this week I was reading an article in Kenya where the government was struggling to pay civil servants and service states. So it's having to choose which one to do at what particular time. But I want to bring in the minister from Senegal to add more on this money that could have been, for example, used for 90% of curing malaria or the 75 billion you and DP points out in, you know, that could have been used for something else. How is this, for example, affecting your development plans and planning in Senegal?

OULIMATA SARR: So thank you and I'm glad I'm glad that I'm going to talk about the elephant in the room. Do you think Greece, as an example all the time, because we think that the world is something different.

MAGGIE MUTESI: I think the microphone. [inaudible].

OULIMATA SARR: Can you hear me now? Can you hear me now?

MAGGIE MUTESI: Yes. Okay.

OULIMATA SARR: So the cost of capital is the big conversation this week. I think all finance and economy ministers have been saying the same. This has to be change. And we are looking for reform. We had a conversation as the ministers of finance and Economy with Mr. Banga, the incoming president of the World Bank. And I think the minister said three things. They said they expect business as usual. They expect fast track, and most importantly, they expect everything to be fair credit rating. We believe as Africans is unfair. We like to give the example of a neighboring country of Senegal that went through civil war and had a power plant call, as you know, even during the war. The country was servicing the debt. So the expectation that the the risk that they feel that we have as a continent is unreal. The three big credit agencies only have one office in Africa. Do you know where the offices of South Africa and they rate our countries based on data, as they say. And they also arranged our countries based on some kind of qualitative assessments. But we believe that the qualitative assessment is not a true reflection of our economies and what is happening lately. And I think you saw the momentum recently with the coalition of the willing, trying to no longer depend on the dollar as currency. And I think if we want to bring about change, we need to change the game. And changing the game is shifting east. Because if all the three American based rating agencies are doing business as usual, countries that are wanting to address issues of climate, of violent extremism, of development overall cannot wait for capital markets. So we are looking for money elsewhere. We are looking for money. Either we no longer going to what we are seeing from the World Bank, the lender of last resort, the need to increase the concessional funding for development. So we are able to have, you know, this conversation about development, the Gulf countries going to more than 40. So I was told that if we want to move the needle in America with aid, I mean, we have to go to Congress and most African countries when want to come, let's go to the executive. So this week, I went to Congress. I went to Congress. I understand that decision making allocation of resources. They have to understand also the African continent, the conflict with Wall Street. The big conversation right now is about the climate finance. And everybody is saying we need to innovate in climate finance. You know, some countries are issuing green bonds. So you go into markets with a credit rating. We believe that we don't have the historical responsibility for climate. The whole of the African continent is contributing 4% of the emissions. So we don't have the responsibility of the issues today of climate change and we are still having to address it with our meager budgets. And we go to COP and you make commitments on adaptation mitigation funding that is not there. Today, Senegal has 32% renewable energy in our energy mix and all of that. We did this by borrowing money, went to market was actually our 54%, our external debt is in Europe and 25% in India was dollars. We are struggling, but I think we need to change the game and in order to change the game. These are businesses. These businesses need to answer to the market and if the market is shifting, I think they will come for us. So the message of useful Senegal is that why don't we look at all our options in development finance, not just going to market being rated fighting, saying it's unfair. If you can't play the game, then you have to leave the game. Thank you.

MAGGIE MUTESI: Thank you. And I will. Minister, I want to bring in Tadesse, I think you say the elephant in the room is, you know, accessing the capital. And obviously from hearing from the minister from Ghana, you know, the low ratings is equaling to high interest, but also less investment into the countries. This is such a difficult dilemma to to see. Help us understand and I'm glad you're on the panel because you're from the financial part of things, trade and development. How do countries cope with this?

ADAMASSU TADESSE: Well, I'm glad to be coming after the two distinguished sovereign speakers. I am not a sovereign, clearly, but I am an amalgam of sovereigns and I am an institution that's also rated. So I don't just understand the pain, but I also feel the pain because as an amalgam, the ratings agencies always look at the average rating of your jurisdictions that the average rating of where you have your assets. So there's a knock on effect. So when they're such deep down ratings that go on, they actually work their way through to African MDB as well. There's definitely a great deal of scope to be to be innovative. I think the reforms that are being called for are very much in order and we have ourselves internally been introspective, a great deal around how one can begin to to deal with this issue of cost of funding and of course, the ratings. This is a key aspect there. And so one of the one of the successes we've had is we've we've had very focused engagements with ratings agencies. Of course, we understand their methodologies and dimensions, all the criteria they use. And we've kind of really zeroed in on some of those areas where we feel there's room to maneuver. And we've done innovations, innovations that are the first ever innovations that have ever been done in our particular industry of MDB is an example of that would be looking at our callable capital, which is a standard feature and most MDB is and we we tried to address the issue of the perceived credibility of that callable capital because a lot of our African sovereigns when they subscribe to our our shares they have the callable piece and then of course you're told that the value of that callable capital is is very diminished in the case of your African sovereigns. So even though you have committed capital in that form, you don't get all the credit for it. So that's just another way in which you see you see the penalties coming through and the cost structures being magnified. And so one of the things we were very happy to have managed to do is we actually went to the private sector and surprisingly we found a willing partner through Lloyd's of London where they agreed to look at our callable capital and give us a credit enhancement policy to upgrade the obligations of our sovereigns to us. And they modeled that. They looked out over history when and if ever callable capital was ever called. So they came up with a pretty meaningful and reasonable policy that we were able to procure. And that got us quite a bit of positive treatment from the ratings agencies. We got some. Some movement, we got upgrades and all of that and so but we had to pay for it, right? It didn't come for free. The G20 group that's just been looking at some of these issues came up with some very interesting questions around how capital is recognized. And, you know, most MDs have huge amounts of callable capital on their balance sheets in legal terms, but not in terms of actual, you know, capital on the books. It's off the books, but legally, legally committed capital. And when capital adequacy is being calculated, that is not being factored in. MDB is going to be very conservative. Of course, the triple A rated ones have a lot to protect, but even we as a triple BE rated MDB, we we don't calculate the callable capital into our mix. So that's just another example of of of the scope for reform and rethinking that can be done because you know if one were to to reconsider how you treat that capital you would you would change that important ratio dramatically and you would create new room for imdb's to step into the space and provide so much more, you know, lower cost funding to the sovereigns or to peoples or to, you know, various enterprises in the country that will be addressing as DG type investments or even just to help attract FDI. And so I think that the establishments have been open from our experiences. We're seeing quite a bit of opportunity to move things, but it's not enough, right? It's just I mean, we've had some success, but it's very minor and we feel that the cost that is incurred in sometimes even moving that needle, even when you have success, it comes up quite a cost. You know, the other area that is always very closely looked at is in this court sovereign case. They look at reserves, they look at liquidity in that in that sense, in our case, they look at liquidity as a financial institution and you've got to hold that liquidity very large numbers. And, you know, sometimes you the opportunity costs of holding that kind of liquidity in such large numbers because you don't have backups, you know, you don't get you're not out, you're not a deposit taking bank as a wholesale, you know. MDB So you don't have that fallback. But, but, but there's so many areas. I mean, it's just an example. We, we, we, we were proposing that we have standby agreements for liquidity. Imagine if a central bank can have standby agreements for liquidity that would help recalculate or or sort of recast the view on reserves. Everybody's looking at how many months of reserves you have. Nobody considers assets. They only look at liquidity in a particular form. It's a very, very narrowly conceived way of looking at it. And I'm just thinking, you know, in the context of all this new public policy imperatives around climate and SDGs, I think there is need to think outside the box. We are pursuing some new interventions around hybrid capital in the MDB space. And and, you know, the IMF, of course, has been very, very bold and successful in unlocking SDR in an unprecedented way. But how can those SDR as help us address some of these issues? Because that type of resource is not necessarily constrained by ratings. Right. So if you can have a mechanism of reallocation of SDR in a meaningful way through MDB is of course the trust funds are there at the IMF and they're very valuable and they're wonderful additions to what we've had in the past there. But if if there can be other ways of re channeling SDR, clearly, you know, sovereigns, African sovereigns will always be looked at as having specific ratings that might really be difficult for some of these, you know, innovations to be done. But you can do it through the entities owned by the African sovereigns. And if you're scale up African MDB is and we have at least investment grade ratings most of us and we can we can find ways of re channeling these special funds and refinancing some of the existing debts. One can create special purpose funds that would then use some of the special funding to refinance. It's not about, you know, getting public money to get private money off the hook. It's not that it's about actually refinancing it at a much lower cost and resetting the frame, you know, in a way that gives value not just to the institutions. Or the sovereigns involved, but systemic risk being handled. And then you kind of bring down the temperature and allow the access to continue, perhaps in a different format. Maybe I'll stop here.

MAGGIE MUTESI: We have something we had prepared. I don't know. Can we have it now? The video, because it's like you mentioned earlier on, it's the pain that is being felt all over. And I know the team had prepared something that will play later on. But I want to bring in honorable minister. And you had mentioned that it's time to have our own credit rating agency. Do you think that this would be the solution and it will be credible relative to the big three that we already have?

KEN OFORI-ATTA: Well, you won't know, if you don't try and and the cost is too steep not to try. So, yes, so we do. And I think the African finance ministers, maybe a couple of years ago and with the A.U., agreed to put together a secretariat to begin that process. So that's ongoing. But another twist to this rating conundrum is that we ourselves in our central banks believe in those regions. And so we've done to save money on our continent. So we go and sit in our meetings and we go through the criteria, which basically eliminates every African country where we can put our money. So we put the money out at zero quarter percent and we go to the market and borrow at 8%. And so you so we are complaining about the system and then we use that criteria to also invest supposedly our money at zero interest rates. So so that's a problem. And I think really we should, at the very least together, A.U. And for African heads of states to agree that maybe at least a third of our reserves must be placed on the continent and, for example, for the African Development Bank. And then it changes the whole equation because it's a lot of money that sits. And then we go to borrow at 8 to 10 times what we are getting. So those are sort of major policy issues that must occur, i.e. starting our own credit rating agency, build it as professional as possible. Because what we are complaining about is a systemic bias, you know, where maybe they don't even realize they are doing what they are doing, but it is what it is. So you look at maybe only two countries on the continent and they have an investment grade. And then you look at the incidence of the COVID period and we just get downgraded in a hurry, like some dumb, you know, and but we did not have the worst of the crisis. I mean, we had two 50,000 people dying. I think the world had 10 million people dying and they had fewer downgrades than we had. That was an excuse. You talk about the rest of Africa and you talk about corruption and date, etc.. So how is it then that you able to respond so quickly to Silicon Valley, Credit Suisse? It must have been some dysfunctions of correction or bad management or whatever. But we were quickly able to give scale and size and speed, and for that to occur so rarely, I think is a grave disservice for African finance ministers not to push quickly and to establish our own rating agency, to move quickly as to where we we invest our reserves and begin to change the equation as we understand it. And that's what my colleague is saying. Where do you look? Is this access still the best way for global prosperity? Oh, we are losing money. And distributing it in ways that do not help and move how we can finance our continent. So they are very sober questions. But truly, it's the same question somebody will ask in 1957 when they are ready for independence or not.

MAGGIE MUTESI: And we're going to give it a try. Just give it a try and see. I mean, it's interesting when you mention that, you know, even with the ratings, we don't push back so comfortably. We still move on with that. Would you like to elaborate more on that?

KEN OFORI-ATTA: Well, I think to push back. I mean, I suspect that the origination was somehow to find a way to facilitate a movement of capital, which is, you know, very welcome. But if you suddenly become gatekeepers, leading you to a certain spiral which has lives at the end of it, and that becomes the issue. And I remember our downgrade, I can't remember which of the rating agencies the company had just gotten a new analyst who was then responsible for Ghana, and she very flippantly, you know, recommended a downgrade to whatever committee that they had. And there was nothing we could do to say, please come kick the tires and see what the countries like, because you get a sense of the difference between the energy and the robustness versus the current short term issue. But this is what elites and the consequences are there. Not only are you going to be paying more for what you have and then you begin to get this analyzation. And what we do is we invested in the domestic because they need to report to their credit committees and get their money out as quickly as possible. But you are also not able to go to the market, which we used to go every quarter and face this quite tough each year, which then leads to a certain sense of crises or heightened crises. Your currency begins to fall. Imported inflation. It just leads from liquidity to solvency and halted. I'm pushing you then to go to the fund to get a sense of stability. It's not I think the rating agencies really is a crime to allow them to do what they do, how they do it without very serious research into how best to make them a lot more beneficial to the global financial architecture. I think it's too much power for independent entity.

MAGGIE MUTESI: I want to bring Honorable William outside in earlier and you mentioned you know how data the the the access of data or the data the agencies really are having is is could also hamper development. And you mentioned I think the question you asked is do you even know where their offices are? And obviously there is that you know, that that gap that you clearly see that maybe maybe there's not as that accurate data. But I just don't want to sound so certain. And obviously, in your experience, we've seen how this can delay a lot of projects. But in this case, what do countries need to come up with and especially in providing the the the I don't even know how to bring it out, but how do we get that data to the agency so that so that it can actually improve their assessments? Is there a way that countries could deal with this?

OULIMATA SARR: So Senegal, first of all, I am glad that the minister Ken talked about the second elephant in the room because, you know, we are we come to Washington twice a year and we were we are told that reforms take time change, take time. Getting funding needs to go to several boards and it takes time. And we see that Credit Suisse was rescued over the weekend and and and the three Silicon Valley banks also, you know overnight. So it seems like some time, you know, fast track can happen. And I think that that gives the sense of unfairness. The other big elephant in the room, and we talked about it with the candidate Bhanga was the amount of money that African countries have received from IMF and the World Bank. I think one of the ideas mentioned that $9 billion of concessional funding was given to the country in 2022 and I think $23 billion went to Ukraine. One country versus a whole continent. So there's a sense of frustration. Senegal is very good with data. We are part of the IMF pool of countries that provide data on a quarterly basis. So it's some kind of best practice. We have a very center of excellence in terms of statistics. So these three countries come to Senegal to study statistics. Right now, in 2023, we are doing the rebasing of our national accounts so that the issue of data for us is not a big issue, but the issue of perception is. But I think that what I mentioned earlier is that there is a shift in the paradigm. Either I stay and I complain about the current situation or I have to do something about it. And most African countries are exploring other sources of funding with different partners, with nontraditional partners at different conditions. And that is happening. And there is a whole shift looking at different ways and instruments to to fund your development, because, as we say, development cannot wait. I will end maybe with the example of Senegal. Senegal has discovered oil and gas. We have our own country objective to give energy to all our people by 2025. So we intend on doing gas to power and we intend on doing gas to industry. And we call that the Just Energy Transition partnership. We cannot be ask, as developing countries with our resources to to either choose climate over development that global public good. That's the buzzword in Washington since last year during the UN meetings. The global be good. I always bring back to accountability and historical responsibility. You cannot ask a country that is faced with in the Sahel, with a climate, with security issues, health, education, everything, and you saying what is your contribution as a country to this global public good? They don't have the fiscal space for it. They don't have the money for it. And that is why we are saying all the time that they have to keep their promises on climate finance and adaptation going through the COP 28 in the UAE. The big conversation yesterday was how do you make them keep their commitments? And they cannot say that they cannot do it over the weekend and overnight.

MAGGIE MUTESI: I want to bring the composition to the audience if there are any comments. Oh, okay. We might need a few microphones. Could you have the microphone to the lady, please?

AUDIENCE MEMBER: Thank you. Can you hear me okay?

MAGGIE MUTESI: Yeah.

ADAMASSU TADESSE: Thank you. Behalf, Ministers, thank you for the panelists. We have been grappling with this issue for quite a while. My name is Sarah Mack. I'm the executive director for Africa for the One Campaign. And when an oligopoly holds an entire continent, seemingly by the jugular. You start asking, where is our common position as Africans? African countries? Because if if, if all of us don't band together as 55 countries to make a statement, there's very little wiggle room we have. So I guess that's one. One comment I have is that it's urgent that we 55 countries band together to make a statement about the fairness of the global financial architecture. The second comment I have is it feels like there needs to be another chair on the panel with at least one of the credit rating agencies. Otherwise, we're talking to ourselves and have been talking to ourselves for a long time. But we need to be talking to the credit rating agencies. We're working with other organizations to address this issue, and I thought it was worth it was interesting to highlight Minister Oulimata talked about other options because it's a it's a competitor. It should be a competitive space. But here we are as a continent, not in a competitive space and being directed by an oligopoly to whom we're not speaking to. So I do think that who we speak to needs to change, and what we put on the table as a continent needs to change. Thank you.

OULIMATA SARR: So to be fair to my friends who spent much of last year talking on behalf of Africa on the financial infrastructure, starting from the G20 seat, which has been agreed now under the G20 of India, is going to be acted. Having a African credit agency. I mean, the financial architecture has been the theme of his mandate as the head of African Union. I just wanted to put that on the table.

MAGGIE MUTESI: I think we have a. Can you take one out of front? Okay.

AUDIENCE MEMBER: Thank you very much, Rob Floyd from the African Center for Economic Transformation. I mean, to build on this. This point about. Speaking to and with the credit agencies, I'm actually wondering whether there's not a role for the Brookings Institution, other policy institutes to actually build capacity. Knowledge share. I mean, this is what we do, but we're not doing it with the with the credit agencies. And as Honorable Ken said, I mean, often the analysts are young. There's only one office. What can we do to actually ensure that they have a better understanding of what the actual risks are and a better understanding of the of the resilience of the economies across the continent in.

MAGGIE MUTESI: Critic one from the one place I'm like.

AUDIENCE MEMBER: You know, it's. My name is Dennis Matanga. I am an adjunct professor of American politics and international business. But it's quite intimidating to speak after people that I have so much respect for. I am not going to say it right now, but Africa has made so many interventions already. If anybody goes and looks at the Honorable Minister of Ghana's statement in the annual report for the African Trade Insurance Agency, you will find that Africa has so much agency. In 2018, there was a small country, Benin, that had never, ever gone to the market to try and source capital. That was long term capital. It worked with an African institution where it was a shareholder and it was able to access over €100 million for a comprehensive period of time. This something that Mr. Admassu said he talked about finding something from Lloyd's of London. Africa is or Africa has created institutions over the past, ever since 1967, when the African the East African Development Bank was developed. I know that the African Development Bank came in 1963. The reason I bring this up is if you look at the shareholding of the Trade and Development Bank, the shareholding of the Afreximbank, the shareholding of the Africa Trade Insurance Agency, there are so many opportunities, exactly like in statistics, to actually intercede on behalf of the African countries. But let me come at the word agency. The people sitting on the stage are quite eloquent and quite powerful people to speak on behalf of the African continent because they are talking about one thing capital. In 2013 2014 capital was redefined. Thomas Piketty's book redefined Capital debt is Capital debt is negotiable. Debt is transferable. Debt is an opportunity. We have something that my friend Professor S.A. just talked about a few months ago. The AfCFTA was recalculated. It's no longer 450 billion. It's now $6.7 trillion in business and consumer spending by 2030. Lastly, Honorable can just talked about the transference of debt to the United States. African institutions hold 2.6% of America's debt by December 2022. We held $75 billion, and yet the central Bank of Egypt has done something. It is the biggest shareholder in the AFREXIMBANK, another credit rating agency. I'm just trying to say that there are so many opportunities sitting in this room alone. Of course, we have to speak to the rating agencies because Africa cannot achieve its SDGs if we don't deal with the debt issues today.

MAGGIE MUTESI: Thank you. Thanks, Ben. There are so many questions, but I think we might need another event. Very solid modes. Maybe half a day. One hour and a half is not enough. But if I come back to I know the honorable minister from Senegal will be living in a few minutes. I don't know if there's any question for her from the audience before she leaves. Okay.

AUDIENCE MEMBER: My name is Mahesh Thatcher. I used to run the international rating agency, the ratings business of Standard and Poor's for a decade. Nearly a decade. So, so, so. And I'm from Uganda. I'm from Uganda. So I know African perspectives. And I can speak to two issues. One is sometimes one has to say the fault there Brutus is not in our stars, but in ourselves that we are underlings. There's a lot that African countries can do to improve their ratings. I'd Massu has already said he's rated triple B. Senegalese, double B-minus or thereabouts and organize CAA one like and one B investment grade and the other not put more money where he is, leverage them up. Great way to consolidate the capital of the countries together to leverage up the capacity of institutions like TDB, like the East African Development Bank. On which advisory board who on whose advisory board I've sat for since 1981 offering Africa Africa Finance Corporation F Afreximbank African Development Bank. The solutions are in our hands. We cannot complain to others to solve our problems. We must solve them ourselves. We must step up to the plate and play the game because the game can be played. We can complain about oligopoly. It ain't going to change. Oligopoly affects U.S. investors, U.S. borrowers, European borrowers, Japanese and Chinese borrowers. Just the same. Learn to play the tricks of the trade. Learn to get advice from rating agency advisors will tell you how to play those tricks. It's not tricks, it's skills on getting the ratings that you deserve. You can't get more than you deserve, but you should get at least what you deserve, and sometimes you get less. So an African rating agency very quickly. It makes sense if the credibility of the African rating agency is superb. Okay, You have to have two assets for a rating business, independence and credibility. I've been in the business. I've set up rating agencies outside. I own some right now. If you are an African rating agency and you're by design, create ratings that are higher than other rating agencies ratings, they will have little credibility yet to our standards. If you don't have standards and independence, you will have no credibility. Third factor is you must have investors that believe in you. If you have African investors who will buy African ratings based issuers paper, fine. But if you are competing in the global markets for global funds and fund money is fungible. If you put money, central bank money here or there, it just sloshes around. It's a pool around the world changing the pushing the button over here. It just pushes it over there. So putting money here or there is it's an international very highly liquid market. Right. And Ghana, last thing, Ghana versus Greece. Greece paper is cash can be bought and read discounted by EIB. There are some we had a proposal to create a liquidity facility for African sovereign debt. If you really have the money, put money into that, then she can buy to her facility, which would get leveraged up. Your paper liquidity goes up, financing costs go down because spreads are not just credit, they're also liquidity. Okay, I've said a lot of things. I ama I've written about this as well and I think that I think that we should start with what we could do because the world is not going to change faster than you can default there. But us is not is in ourselves. Not enough stocks. Thank you.

MAGGIE MUTESI: So do. You. I want to just say something before you start. Let's get you the microphone.

OULIMATA SARR: I have to I have to go to turn to a panel that I'm chairing on human capital. But thank you so much for those excellent for those points that you made. I just want to leave you all with something that I've learned over this weekend in Washington. How do you eat an elephant? You have to bite it in small pieces. So everything we talking about, some of the issues are short term, some are medium, some are long. The only thing that I can say is that African nations, we are in a situation of urgency. So anything that takes too long to happen because you some of you know, I used to be the one on the other side trying to influence policymakers. And I now sit in the chair and I realize sitting in the chair that time is of the essence is not that the technical expertise doesn't exist, that nobody has thought about it. If you are sitting in office, your biggest constraint is time. Do I have time for a year? For two months, and then you make a decision. Thank you so much for having me.

MAGGIE MUTESI: Minister Oulimata. I thank you so much. Thank you so much for the wonderful, wonderful remarks. Let's give a round of applause as she leaves. I could see you nodding your head on. I came as the gentleman was speaking.

KEN OFORI-ATTA: Yeah. I didn't know. I didn't know I had. And that I think truly I understand, you know, the the wisdom of what, uh, Mr. Mahesh said. Um, but one has to appreciate when a system is imbalanced, one has to know that there's something called institutionalized bias. One cannot hide from that. You know, we went to school in this place, and you do understand people's reflexes as to how they evaluate things and what they do. And therefore the degree of intensity of which that bias may affect you. I think there's been enough research done to ask the question, why would African countries be so quickly downgraded in a period of crisis? And how is it possible for the local currency ratings to be so different from the foreign currency? How does it happen that the Bloomberg trading may be one notch, you know, higher than what the rating is? And so those are fundamental issues that need to be fought as to our problems, as to, well, you may not be doing too well. And so it's your fault. Yeah, yeah, yeah. You know, that's that's that's true. And but it does not justify, you know, my paying $2 billion more than Greece over 29 years. Those are real costs that we have to confront. Therefore, why would one assume that all of my intellectual power and knowledge that we would set up a rating agency which would look to just rate African countries high and not have integrity? Why? Why would there be a fundamental reflex? And that is the intention. And so those become questions. And that's why I was shaking my head and it maybe sadness.

ADAMASSU TADESSE: Can I jump in just.

MAGGIE MUTESI: Yes, one.

ADAMASSU TADESSE: Or two comments. I really enjoyed hearing the commentary from the floor. And I think when when I heard says, you know, you have to take action yourselves, right? You have to take ownership, It's so true. And I think we were beginning to see very interesting movements. I think the minister spoke about the one third allocation of central bank reserves. That's that's one very exciting development. Hopefully we can get to critical mass on that. But there's also a much wider agenda for the efficiency and dynamism of capital. We we're talking about cost of funding via ratings, but there's a whole question of on reducing that cost by leveraging capital better. And I think my has again spoke to that. But there's African agency, as we've heard, African African institutions can actually help improve the velocity of money. Financial economists, people like Professor Lemma love talking about the velocity of money, right? If the money circulates faster, it has so many more touch points it can hit multiple projects, you know, and do magic in a way. That's the beauty of finance, right? You have alchemy in built. The problem I sometimes grapple with is when I see very suitable fit for purpose funding sitting in certain places, locked up and unavailable. I was in a session a few days ago and interestingly a donor was commenting in a in a discussion around carbon credits how a donor made funds available into a trust fund and that funding was made available 12, 13 years ago and approval was made and it was disbursed 11 years later, 11 years later. And there was an African country that had generated high quality carbon credits back then. They did everything right and they did it to a tee and it. Was approved, but the inertia money sat there for 11 years. You know, and it you know, again, it goes back to Dennis mutandis point about African agency. I think one of the ways of it this is a complex problem like the minister said it's an elephant. You need to eat it in bits and pieces. I think one other thing we need to push for very hard is to unlock public financial resources that are sitting in places stuck. It's there with all the best intention. It's got the right headlines. It looks very sexy, but it's unreachable. Absolutely. And I and I have had occasions working with even the World Bank where there was money in one country that was expiring low, very low cost funding. Concessional capital was on its way back to the general poor. And I had an occasion to speak with a very entrepreneurial World Bank director in that country. And I said, Is there any way we can redirect this money before you send it back to Washington, And actually he happened to unlock it. And the case was was Burundi. It was a fiber optic cable project, but the government didn't have its share of equity to put into AP and we were prepared to leverage it. But there was no there was no underlying capital there. And and it was a brilliant move on the part of the World Bank to actually reallocate this IDA funding that was on its way back to the Central Committee. They released it to the government of Burundi. That became the Ghana Burundi's contribution to a project. And then several other parties came in and leveraged that, and that was about ten years ago. Today. I was talking to somebody in the institution there and they were saying to me that this whole digital initiative that's being pushed very hard is getting wings in Burundi. And he says we're building it all on that fiber optic cable project that was done ten years ago. Everything now that they're about to do is on the back of that project. And it just comes back to the point of all this capital locked up in places. You see huge approvals. People like to talk big numbers, but you know, it does not circulate. The velocity of money is not there. African pension funds. We've been making a huge case to get African pension funds, just like the central banks that the minister spoke about, to get pension funds to put their money in places where it can be multiplied and leveraged and be put to use for African development and generate that triple bottom line return. I mean, the truth is African pension funds had lost faith in investing in Africa after a very difficult period of the eighties and to some extent the nineties. Very pleased to say today I have almost eight African pension funds in my capital, so we had to go back and rebuild that trust. All of this is just to say there is a lot that we can do as Africans and I just think we're only at the beginning of that process and I hope we get more traction. Thank you.

MAGGIE MUTESI: I'm sorry to retract the minister's remarks. I think we need to think out of the box. I want to bring in one of our discussions, Daniel Cash, who is the Founder Credit Rating Research Initiative. Daniel, we've heard from the policymakers, obviously the ministers we've had on the session, but you work in the academics and the research side of things. I mean, what is your perspective about what has been said here this morning from the minister's remarks? Could we can we get him a microphone?

DANIEL CASH: Thank you. I think.

MAGGIE MUTESI: Yes.

DANIEL CASH: I think in response to looking at what's being said today, I think there's a few things that stand out which really, to me are the core of what we're talking about. It's when the minister from Ghana was talking about this is a human problem. No, it's not violence. It's not just stuck on a balance sheet. The pandemic shows us that there's a human problem that's happening because of what's in the credit rating space. And the research is predictably mixed. There's some researchers who say there isn't a bias in the credit ratings. This one research says there is, but the effects are clear. I think the member from who was with Standard Poor's mentioned about you need things like standards. And I think that's right. But if we look at the reality of the situation, the standards aren't there on the continent. So the minister from Ghana was talking about when Ghana was downgraded, the real Story was that the analyst was only there for about three months and had never visited the country and downgraded the course. Any response from the country? Dr.

Michel Martin So he was supposed to be here and the panel is hosting a webinar next week whereby he will explain how the solicitation, solicitation status of credit ratings on the continent is being actively misinform to members of the marketplace and credit rating agencies, all telling essentially what is misinformation. And there's no recourse to stop that. If we're looking at standards, we have to be firm on the African continent. When it comes to ratings, there are no standards and there's a reason for that. The reason is simple in that there is no unified regulatory framework for credit ratings across the continent. The reason I'm mindful of this campaign of saying that you are being the model and everybody has to follow Europe because are major issues in the European Union. But in 2011 they were massively and I use the word attack, if they would attack by the system that is currently affecting and has been affecting the African continent for a long time, how they reacted in a unified stance was to put forward a set of regulatory rules to fundamentally change how credit rating occurs in the European Union. You no longer are allowed to make claims without backing them up. You have to produce your ratings of specific times. You have to register with the regulator. You have to do a number of things which prevents some of the issues we're seeing in the African continent, because that is the framework they are available to protect. What is the European Union? My argument and my research at the moment, and very gratefully the Brookings Institute will be linking my recent book, which is free to read on this issue. It's time for Africa to protect itself against the system. No longer is it possible, and the human element is in my mind and I say this and also the minister from Senegal. And if I may, I think the two of you need a podcast because I would listen to it religiously every week. I think you two were fantastic. She was talking about either you play the game or you leave. And very humbly, I would suggest that there's a third way in that you change the rules of engagement because the rules around Africa have changed. The impact of private creditors on the space around Africa has fundamentally changed what is possible, what the rules are, and what the future could be. Because of that, we see that in the fact that Ukraine was downgraded and put into the fall for a matter of I think it's three days while Zambia was in for about two years or whatever it's been. I try not to do comparisons because they're very rough around the edges. But the keys are there to show that there needs to be massive action and the action revolves around organization. And I celebrate the NDP in putting this on the agenda for us to speak to. I celebrate the African Union in the API room for the things that they bring around the new and potential public credit rating agency. But I think organization has to be the key moving forward for all of us who are invested in this because of the key and clear issues that are there for us all to see. But we could ignore them if. Be, please. When we talk about the technical elements, what may be done here or there, I think the person from Senegal was talking about the the role of the president, Macky Sall has done is spearheading this conversation. And I think it needs to continue and organization has to be at the core of what is happening. And I think the member from the Obama campaign was talking about what can we do and has a knowledge, capacity, knowledge building respectfully that's already started. These conversations are happening. I've been working with civil society groups like for the Long Campaign for a number of years now, and we're still at the conversation stage. And I think it would be great to use this type of forum and this type of intervention to really push it to now an action stage where you have these studies to show technical approaches that could be taken. And then it's a political decision. Whether you take it or not is another matter. But the minister from Senegal was talking about timeliness being the issue. I'm mindful to think in 2007 and 2008, we got the massive crisis in about three years. You're at the European Union, the set of their regulatory framework. It was relatively quick. It can be done if the need is there. We have that and if the will is there. It sounds like we have that too. So I leave positive. I leave emboldened by the panelists today because they've really put it into perspective, the countries that will go on policies like this. And I believe the report will be coming out shortly. They're needed and so have these conversations. So I thank you. All right.

MAGGIE MUTESI: Thank you. Daniel. Daniel Cash is the founder of Credit Rating Research Initiative. One of our ministers Seems like one of the things I'm picking from the discussants the audience is, you know, we need to disrupt to think out of the box. We need to to think different. We need to, you know, think of other solutions. And as we wind up this transition, I know there are a lot of questions from the audience, but also it will be unfair not to get any question from the online audience. And this was specifically to you when I was a minister. I know that you had talked you kept on talking about having our own African credit rating agency and somebody asking, how advanced is this plan? Where are we? But I think as we wind up, for me, my question would be so so now, you know, we've discussed we've heard from everybody else, but how do we move forward?

KEN OFORI-ATTA: Great. Well, thank you very much for your intervention. And no, we cannot move back. I think we had a session in Ghana sometime in October in which the EU set up through the STC, the Secretariat, to begin work on that. So we really are moving, you know, definitely on that. So the political will has been shown strength of leadership and really now is the coalesce and all of those that are interested in it. And for us to make a massive push on that and maybe this is this is the period and at least I'm further emboldened by this meeting. But Ghana did give the A.U. space in Accra for this to begin.

MAGGIE MUTESI: And so those are good things.

KEN OFORI-ATTA: Yes, it is great. And we have to do it.

MAGGIE MUTESI: Yeah. Thank you very much. Thank you Minister. Tadesse I want to bring you in for some closing remarks as well? I think you've talked about, you know, thinking of other ways of getting the capital. The minister earlier on also mentioned the reallocation of the SDR, which is a conversation we've had, I think not too long ago with Africa Catalyst, which I found quite fascinating in your closing remarks. Obviously, I'm also assuming that's, you know, more objective credit ratings strengthen the financial institutions in Africa. How do we move forward?

ADAMASSU TADESSE: Well, in closing.

MAGGIE MUTESI: Let's get you your microphone.

ADAMASSU TADESSE: Closing. I'm just saying, I hope it's coming through you. So just in closing to say, I think we've touched on very important areas for action and this in this session. In the end, it's always about building up momentum and getting closure on these matters. These are not new discussion points. These are matters that many of us have also been agitating around. But sometimes it's very hard to get closure right. The SDR allocation came out at the height of COVID. That was to some things three years ago, and the first round of disbursements had happened very quickly. But the far larger resource that's available there has really not been reallocated in any significant way. Some some funding is beginning to move. The trust funds are coming along nicely at times, but the really big opportunities are not being unlocked. That's the truth, the hard truth, painful truth. And then there's other resources that are sitting in other big institutions that are really just not being unlocked. I made reference to that to that donor that spoke about an 11 year period of disbursement as a tip of the iceberg. If you look at how much money has not even been dispersed at all, it's bad enough for it to take 11 years. Imagine, you know, billions that are sitting unused and dispersed. And I think this is this is one area that I'm very excited about where if we can build on the successes we've had as Africans to build up institutions and use those institutions more dynamically, more effectively to intermediate capital and at the same time generate returns for African investors because there's a lot of African capital out there as well. And a lot of this African capital gets, you know, almost parked in places that it gets very, very little reward. Right. There's there's a lot of anomalies of this nature. And I just think these kinds of conversations need to keep happening so we can get closure and start registering some successes.

MAGGIE MUTESI: Thank you so much. Admassu. Please join me in thanking our panelists for sparing the time to speak with us today. Honorable Ken Ofori-Atta, the Minister of Finance and Economic Planning for Ghana, Admassu Tadesse, the president of TDB, thank you so much, White Entertainment to speak to us today. So much we've learned, but the decision hasn't ended. We have so much in stock for you. And as I thank the panelists and ask them to take their seats back, I think we I would like to ask you to give them another round of applause as they did the first press. Yes, I think they can help you remove it over here. And so, as I mentioned by Dr. Aloysius, this event is brought to brought to you by Africa, Catalyst, Brookings and UNDP, and at this particular moment. Okay. Thank you so much. Please join me in welcoming the CEO of Africa, Catalyst, Daouda Sembene, to give us some takeaways and feedback from the session.

DAOUDA SEMBENE: Thank you very much, Maggie. Good morning, everyone. I am delighted to be here today and trying to make some key takeaways of this discussion. This is a very this was an extremely we share this conversation, so it's going to be a little bit pretentious for me to pretend to be able to really make all those key takeaways that we can get. But I'm going to try to be actually quite brief knowing that you're almost at the end of the ten that was allocated. I think if there is anything that was recognized today is that this discussion is very timely and we need to have it actually, especially at this time when the IMF and the World Bank are really discussing about how to reform the global financial architecture and credit ratings is a key issue that needs to be addressed as part of the initiative. So this is extremely important. But one thing that we all recognize today is that there is a deep issue with credit ratings when it comes to African sovereigns. I think the speaker has made it very clear and of course, Danielle also made it clear is that credit ratings by global agencies, the big three, have some significant impact on the Kosovo infographic. And that's that's actually a no brainer, certainly. And that in most of the cases, this is explained by many, you know, by many factors, the risk assessment and credit rating by global agencies that are hampered by data limitation, but that are also hampered by the lack of analysts with strong knowledge of countries across the continent, but also some subjective factors, as illustrated by the UNDP study, which is actually extremely insightful. And I think the discussants actually recognized that there is some evidence of bias, what they call systemic bias, actually, when it comes to Africa, African sovereign credit ratings. And this is also something that the UNDP study actually highlights, and that is that has actually sort of given evidence of a significant deviation of African sovereign ratings from macroeconomic fundamentals. I think that's that's certainly something that is. But I think the most important thing is not the issue is actually what should be done to address the problem. And I think that's where we have received a lot of good insight from discussion that we have today. First, I think it was clear and I think this was something that the atmosphere made clear that we need. I mean, African countries need to engage with credit ratings to understand it and methodology sorry, and to actually be able to discuss with them how to really make sure that their work sort of reflect the reality on the field. I think that's critical. So it's really has to be something that's something that needs to be done. Thank you. One other proposal that was made is certainly we need to explore innovative mechanism. I think we have heard what I must have talked about in the case of an institution like that using callable capital. But I think also it's clear that using sort of a reserve asset like ISDS and allowing MDB to have access to that could really be helpful. And that's something that we've also heard. So those are some example of innovative mechanisms that we can use to really help and make sure that credit ratings actually are more sort of in line with the macro fundamentals of African countries, that's for sure. And one other sort of key takeaways that we really have is that it's important to adopt. I think that if we sort of forget things, including from local agencies, but of course, that has to be done, making sure that of course, that needs to keep the principle of credibility and independence, because you cannot really just put in place a credit rating agency if it is not independent or credible. I think that would not really help. It would do more harm than than anything else. And that's another key takeaway is that we need to really sort of get more transparency in the greater transparency in the credit rating methodologies. That's that's important. And I think that's where we also need, you know, as African sovereign to work with academics to really make it happen. And one last thing that I would be saying is it is important also to really continue this conversation going keep going. I think this was something that was recognized. This is an issue that is not really talked about enough, but which has significant impact. I think Maggie was saying about an. This is also in the UNDP study that I think if we are able to really make sure that the ratings are very much in line with the macro fundamentals, African countries would be able to mobilize more resources that they can allocate to other priorities, whether it is on social spending, whether it is actually tackling climate change or, you know, helping reduce poverty. All of those issues are extremely critical. And we need to make sure that we continue this conversation at Brookings and also the UNDP in Africa. We are committed to really continue our partnership on these issues and really make it make sure that we continue to bring this conversation forward. So I would say now, you know, we expect to respectfully call for Ahunna to join us on this stage to make some closing remark. Ahunna is the head of a UNDP Africa? So please a round of applause..

AHUNNA EZIAKONWA: Good morning. I think it's till morning. Right? And what a pleasure it is to really be part of this room, including the room online. I just want to use the opportunity to thank all of you who are here today. And I know you're here because you care. You know, the minister from Ghana said one thing, that the end of this spiral our lives. And this is what UNDP is all about. We are about human development that goes beyond just the statistics and the numbers that academics and professionals often are home in on. We see lives, we see faces, we see women. We see young people who are every day working hard, investing all of what they've got and getting so little at the end of that labor. We are in the middle of what is now described as purely crisis. And you heard it from the ministers. Countries are struggling not with one, two or three problems and challenges, but with multiple faces of challenges that require adequate, affordable financing and that there is a huge drought in this area. Even us needs expand. So what to do about this situation? This is why UNDP saw it as necessary to start looking into these issues about what are the options that the continent has and who are the players within this. So this isn't an indictment of rating agencies. This isn't about that. It isn't about criticizing anyone. It is, however, about uncovering the elephant in the room. And what this conversation has shown us is that there isn't just one elephant. There are several. And then create set in the table for us to begin to tackle them. Bite by bite. As we heard from the minister from Senegal. So what do we walk away from this event with? I think for me, really the revelation here is that we need more honesty. In the way we handle international relations. We need more fairness and justice in the way we conceptualize multilateral agency. And we need to boost Africa's agency in all directions, without which I don't think we can talk about achieving prosperity and peace on the continent. And the world has no chance of getting peace and prosperity without Africa achieving peace and prosperity. So what we're talking about here is about a global public good. What's good for Africa has got to be good for the world. We are in the same boat, but the treatment is safe. We are not. Some will survive and others we can afford to throw by the wayside. It doesn't work that way. We're talking today about an enlightened self-interest. We're talking about exit in the lens of aid. The aid framework as the only option that Africa has to lift itself because aid, while necessary, diminishes the agency that is necessary to power Africa's future and development. And yet this is where Africa is, where the future of development will be determined. Today in this room, I was actually myself quite surprised to see the number of people who are engaged in this conversation, who have the expertise to actually help us achieve change in this area. And I think this is where hope lies. This is not a hopeless and helpless issue with the knowledge. We've got the expertise, but also we have the goodwill. And surprisingly, even within the rating agencies we're talking about, I think we'll be quite surprised to see how much goodwill there is to move in the right direction. And so what are we going to do from here onwards as UNDP? In addition to building on the momentum from this event, we will deepen our partnership with HBO, Brookins and Africa Afrique Catalyst in three important ways. And here I want to really recognize my brother of viewers who started off for his own personal commitment and leadership on this issue, which led him to actually want to come help us create the convening platform for this. And we will strongly stand with you to work on this. And of course, we heard just now from Africa, Catalyst. Catalyst. First, we were going to together work on a bespoke database of relevant data from diverse sources to help provide a complete a more complete and accurate picture of the risk profile of African countries. This new Web accessible platform will be available to African officials as they work with credit rating agencies. Second, we will work with global and regional rating credit rating agencies on approaches to reduce subjectivity in their methodologies. And third, we need we will in intent here to convene a group of internationally recognized experts, some of them already in the room to Lama, who would be available to provide advisory services to countries. So African countries during the credit rating process. But it will go both ways. Also the credit rating agencies. Our overarching goal here is to ensure that African risks African risk is properly and fairly priced. Working together to accomplish this goal could unlock vital resources for Africa's development and ease the fiscal stresses that compromise critical socio economic investments and peace. I just came out of a meeting with a Prime Minister of a country that is looking for 10 million to run local elections. Can you imagine how tragic that is? So what we're talking about here, ladies and gentlemen, it's not rocket science. It is common sense. And I do hope that together. By next year, we'll be telling a different story on this issue. Thank you all very much.

[VIDEO]: One, one, two, three. Thank you very much. As you said, the pursuit of ratings pose a problem in terms of the perception of the risk, which is greater compared to what is real. And this makes credit more expensive and therefore undermine our competitiveness. We are not really talking about aid. We are talking about partnerships for Africa, at least to improve those conditions for loan access and credit market access at the same conditions that are being reserved for those developed countries. The divergence between developed and developing countries is becoming systemic a recipe for instability, crises and forced migration. These imbalances are not the bug, but the future of the global financial system. They are in-built and structural. They are the product of a system that routinely ascribes poor credit ratings to developing economies, starving them of private finance. Credit rating agencies are the fact of decision makers in the global financial system. They should be accountable and transparent. According to the U.N. Economic Commission for Africa, the continent must invest $1.3 trillion every year in order to attain the Sustainable Development Goals by 2030. African countries do not earn enough from trade or receive sufficient grants to finance these investments. Africa's annual SDG financing gap is estimated at $200 billion. Also, an increasing number of African countries are now middle income and do not qualify for large amounts of concessional financing. This is one reason why many African countries must borrow the big credit rating agencies determine the creditworthiness of African borrowers. Their ratings determine how much interest countries pay on their debt, as well as how much investment flows into the borrowing countries. A new UNDP report noted some idiosyncrasies in the credit ratings for African country, which are largely due to a paucity of relevant data and a degree of subjectivity in the methodology. The impact of these idiosyncrasies on development financing in Africa was estimated by comparing the ratings of the Big Three, with ratings provided by independent and relatively more objective rankings provided by the trading economics algorithm. The results show that the 16 African countries surveyed paid an additional $28 billion in interest payments because of the idiosyncrasies and lost $46 billion in possible flows. The total estimated costs exceed the amount needed to reduce malaria in Africa by 90%. A number of immediate steps could be taken to address the anomalies. These include instituting greater transparency for credit ratings methodologies, adopting and standardizing alternative ratings, promoting a regional Pan-African rating agency, and strengthening capacity of existing Africa based credit ratings agencies. UNDP's Africa Bureau. The Africa Growth Initiative at the Brookings Institution and Africa Catalyst are committed to working with African countries to enhance and augment national capacity in this area, as well as to providing a bespoke database of relevant data.