

The impact of the Ukraine war on Africa

May 2023

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Background

Ronak Gopaldas

Political economist, writer, speaker

Circa. 15 years experience covering Africa

**Present: Director at Signal Risk, Faculty at GIBS
Business School**

Past: Head of Country Risk at RMB, South Africa

Leadership: 2019 Tutu Fellow, 2015 YALI Fellow

**Focus areas: Africa, politics, economics, macro
trends/themes**

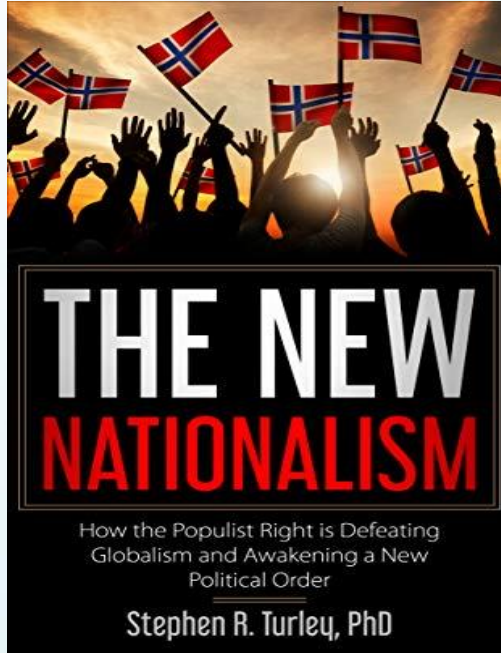
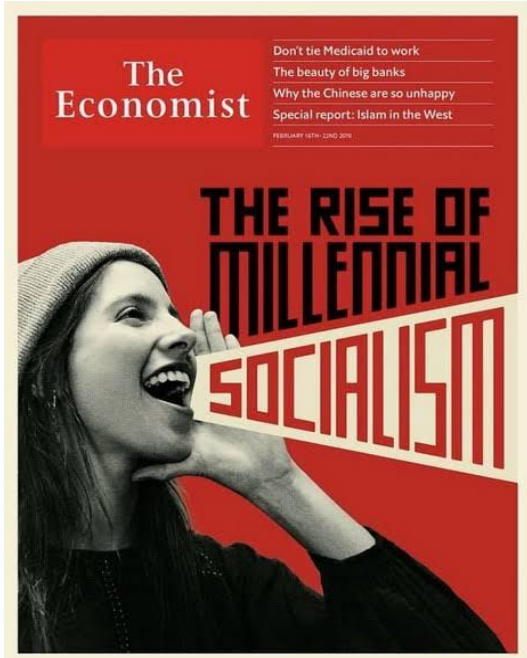


Agenda

1. **What has changed?**
2. **How has it affected Africa?**
3. **Where to from here?**



COVID-19: A Seminal Moment



Why this matters to Africa?

*"The financial system is, to put it bluntly,
rigged against the Global South"*

-William Ruto, Kenyan President

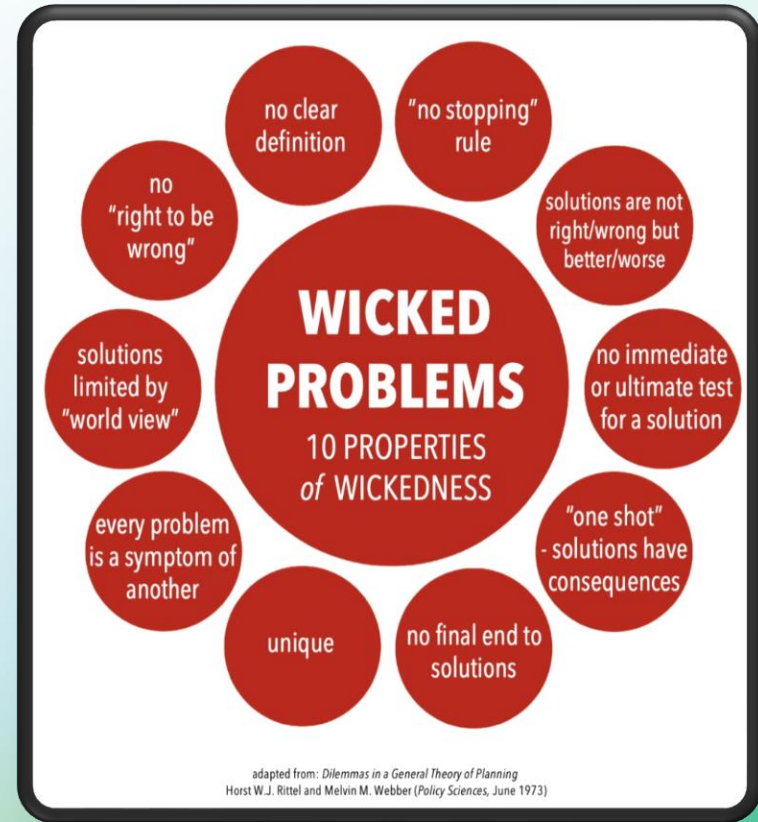
"When we can save a bank in California in 3 days, but Zambia waits more than 2 years for debt relief. When our children can secure mortgage finance for 30 years, but developing countries secure maturities just over 5 years."

-Andrew Mitchell, UK Minister for development



Africa has wicked problems

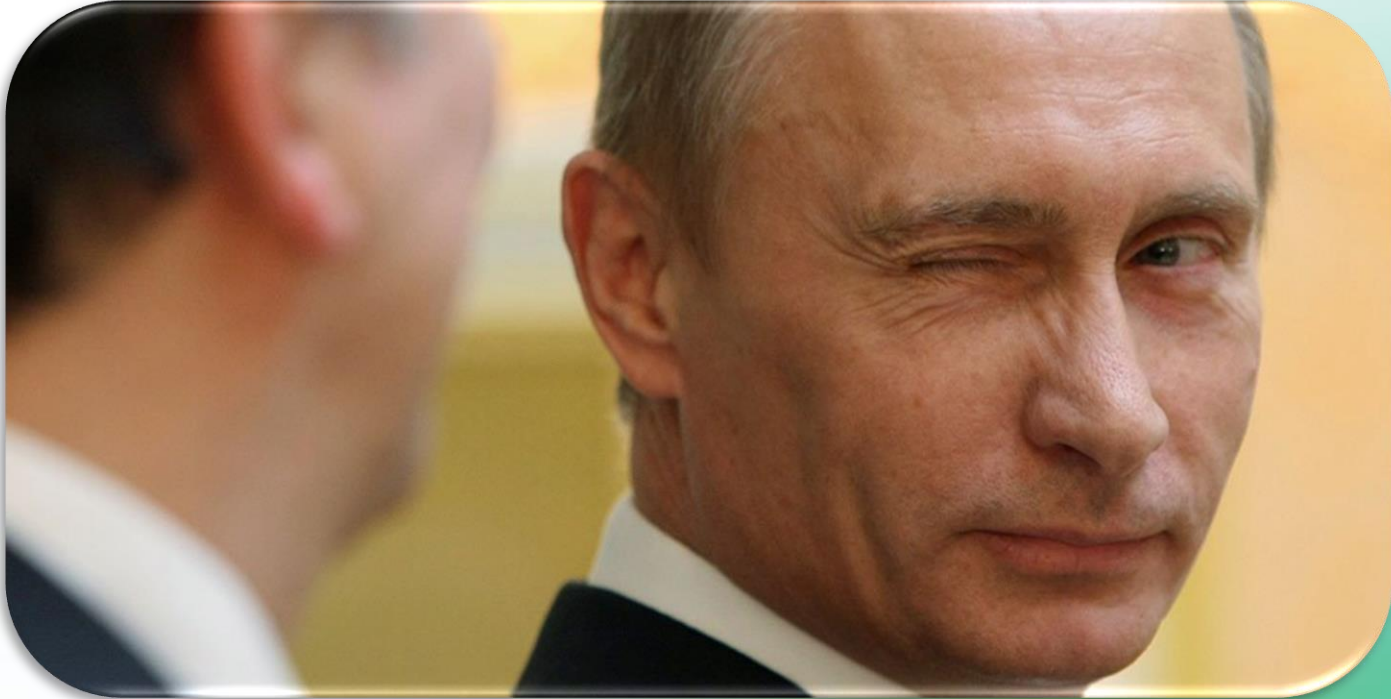
- *A wicked problem is a problem, usually social or cultural, that is challenging or impossible to solve either because not enough is understood about the problem, the number of stakeholders involved, the number of varying opinions, the economic burden, or the impact of these problems with other problems.*
- *A wicked problem defies any standard attempt to find a solution because it is a symptom or result of multiple, contingent, and conflicting issues.*



R for “Recovery”



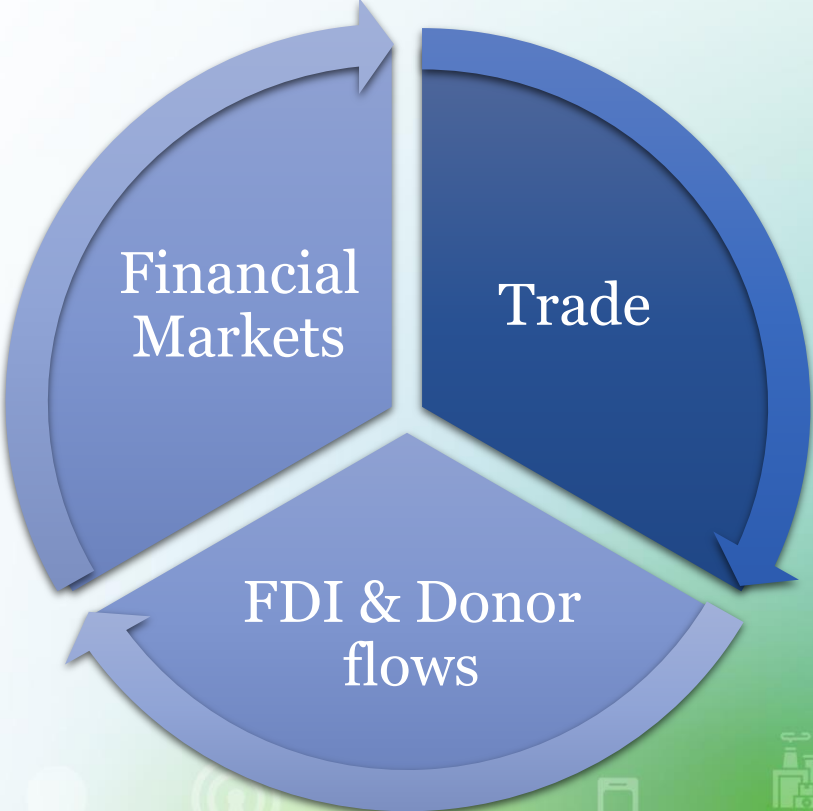
And then this happened...



Impact on Africa



Transmission mechanisms?



Monetary policy – the dollar smile

USD strengthens
due to risk aversion

USD strengthens
due to economic growth



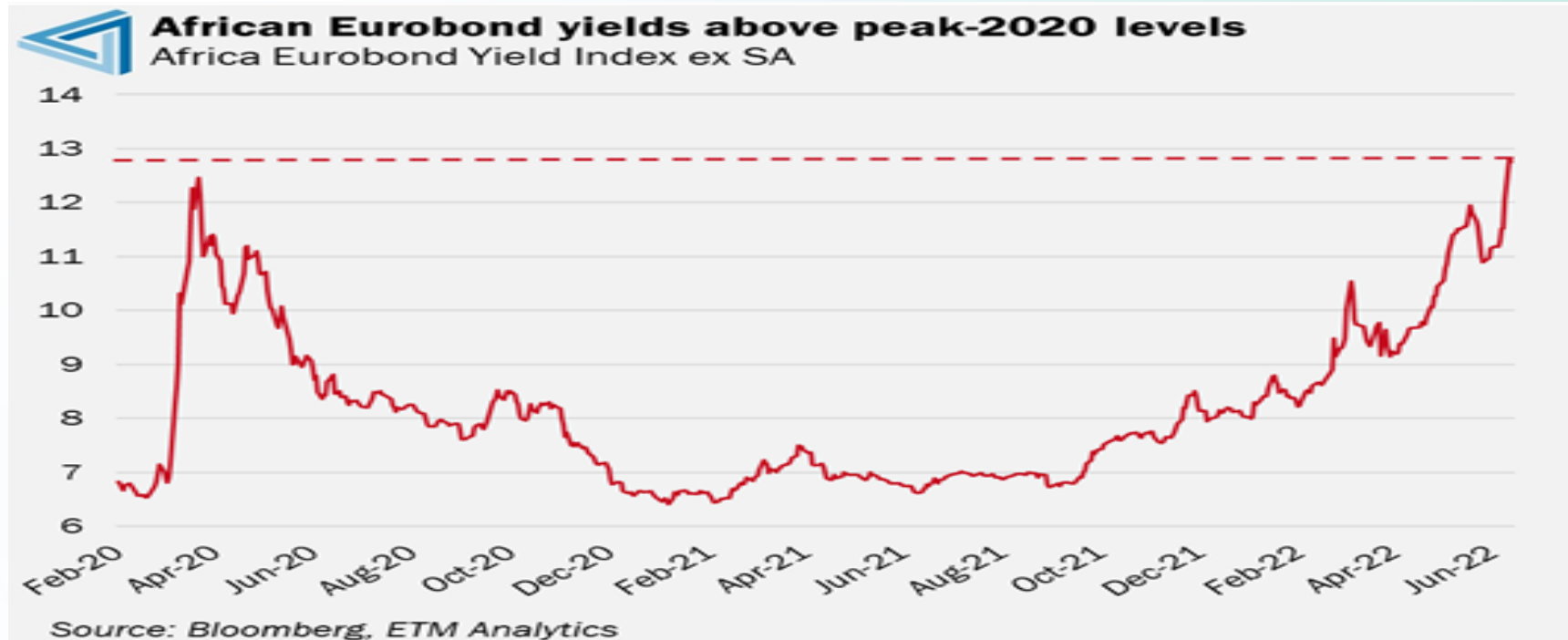
USD weakens to new low due to weak economy



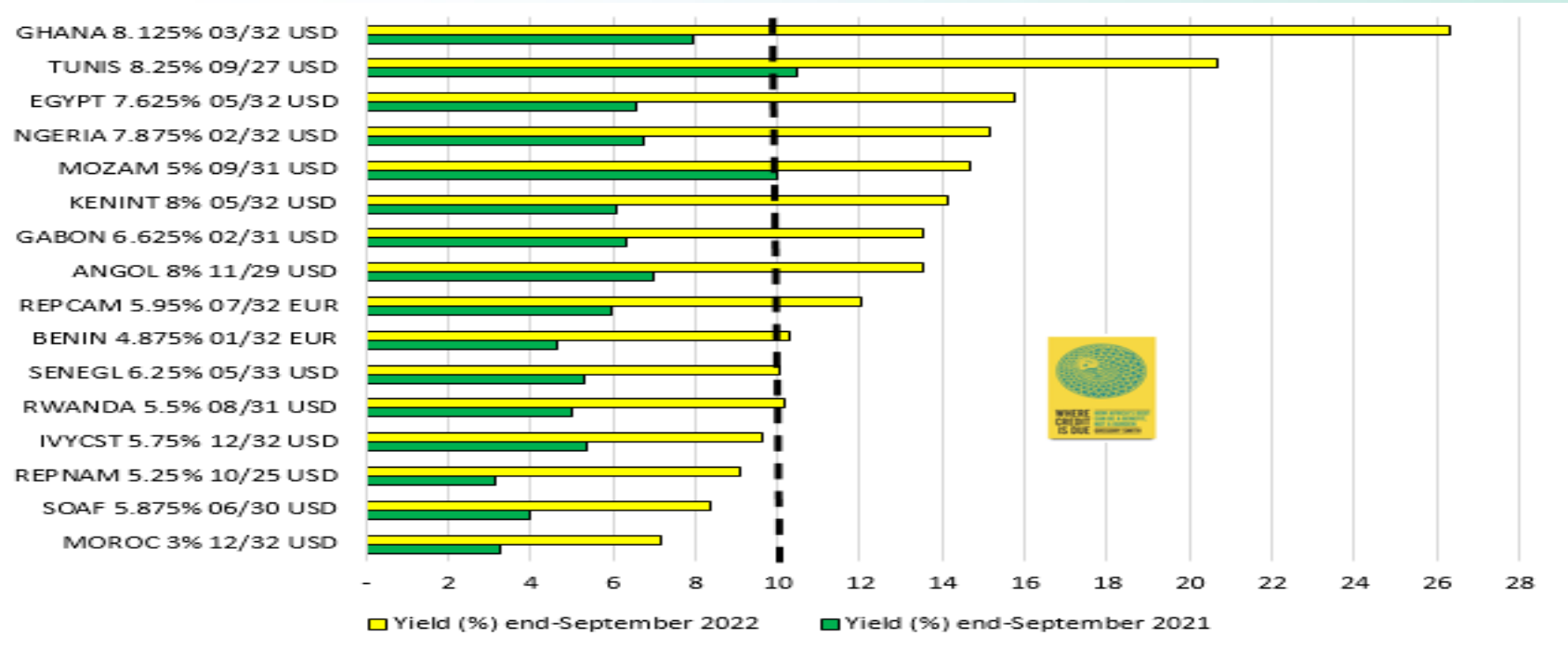
Interest rates and inflation: food + fuel shocks



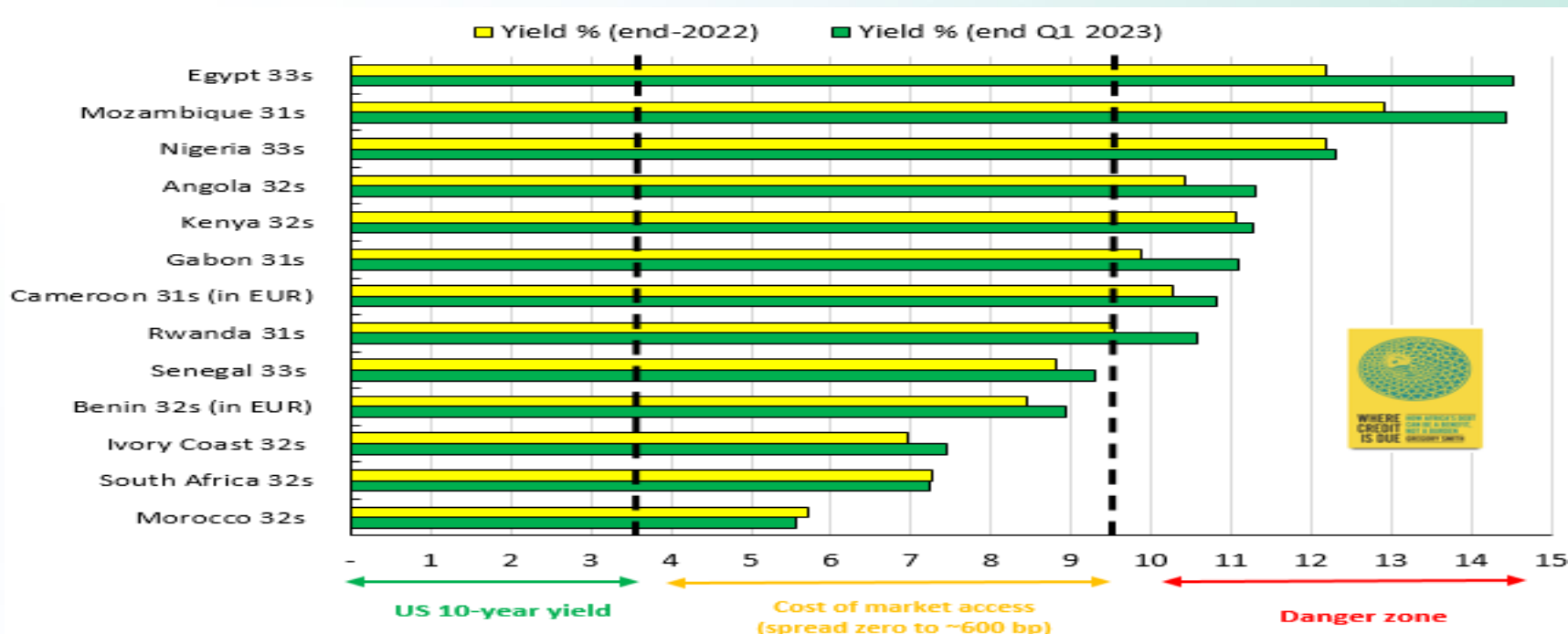
African Eurobonds are under pressure



African Eurobonds – 2021 vs 2022



African Eurobonds in the danger zone – 2022 vs 2023



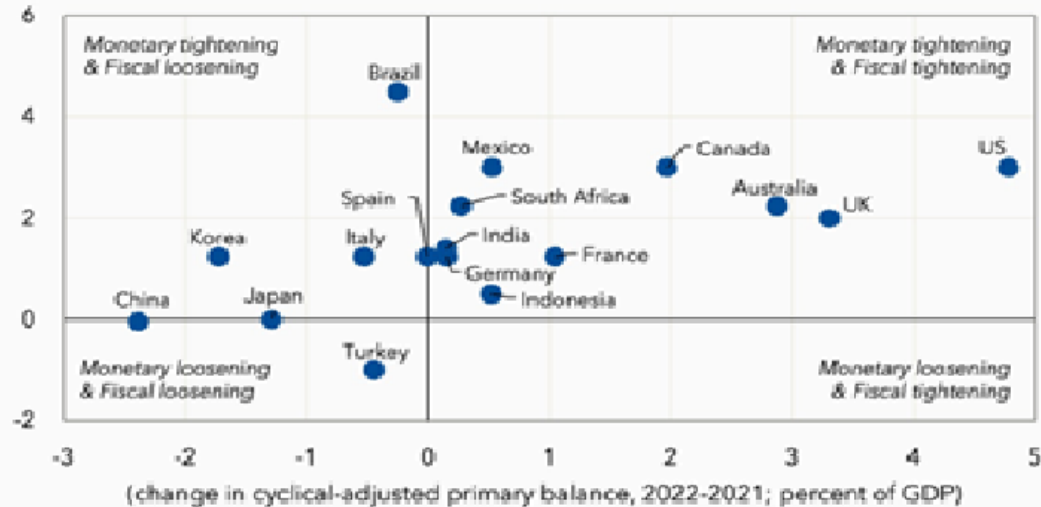
What is the correct policy mix?

Fiscal-policy conundrum

The cost-of-living crisis complicates fiscal policy formulation.

G-20 fiscal and monetary policy mix*

(change in policy rates, Jan. 22 - latest, percentage points)



Debt dilemma

“I’ve seen more defaults in the past 2 years than in my 15 year career”

- Bank trader

“Developing countries facing debt overhangs, higher borrowing costs and limited access to liquidity in times of crisis. In turn, developing economies cannot fund progress on the SDGs, including climate adaptation, if they are borrowing at up to 14 per cent while also paying more than 20 per cent of revenue for debt servicing.”

- Mia Mottley – PM of Barbados



The return of the IMF?



Global power competition – Cold war 2.0?



Item 5 - Draft resolution A/ES-11/L.1

Aggression against Ukraine

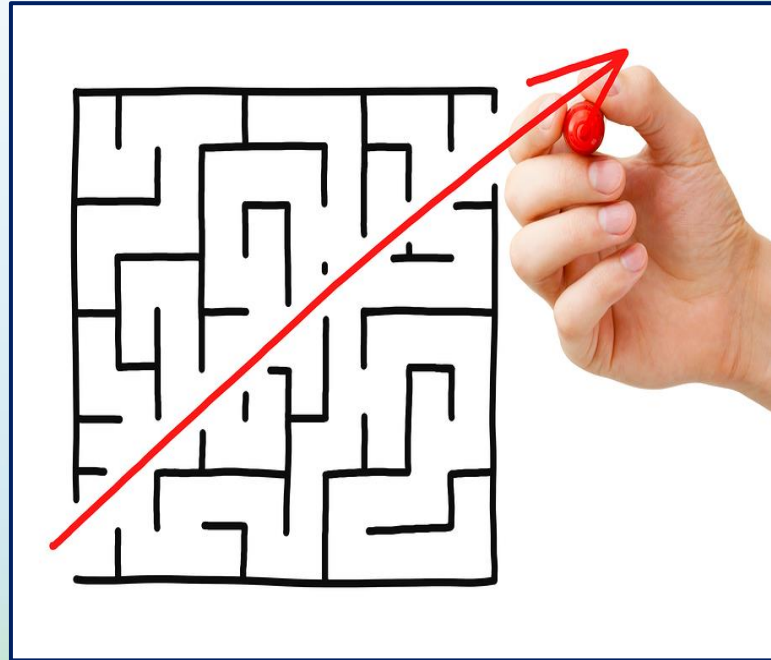
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IN FAVOUR: 141
 AGAINST: 5
 ABSTENTION: 35

A powder keg for social unrest?



Hacking the ladder – Smartcuts



African solutions to African problems



“The solutions to Africa’s problems lie in Africa, not in Live Aid concerts.”

-George Ayittey



Questions?

