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Author: Hilary Joffe

Standard Bank CEO calls on African countries to get their act together

Tshabalala and B20 weigh in on debate over high cost of capital

Hilary Joffe

Standard Bank CEO Sim Tshabalala has weighed in again on the high cost of capital for African countries, saying countries must "get their act together" to improve transparency and provide money managers and ratings agencies with the information they need to properly assess country risk.

Tshabalala had previously called out ratings agencies for their role in the "Africa risk perception premium" and he did so again on Tuesday, saying ratings agencies needed to be called to account.

"There's a gap between fundamentals, the economic fundamentals, and the ratings that are attributed to particular countries," he said.

That was being debated in the Business 20 (B20), which SA is hosting this year as part of its Group of 20 (G20) presidency, and ratings agencies were part of the B20 task force on finance and infrastructure, Tshabalala, who chairs the task force, said.

But speaking at a B20 briefing, he made it clear that it was up to countries' fiscal authorities themselves to manage their public debt better and implement more transparent investor relations strategies to target the concerns of investors and ratings agencies.

Tshabalala's comments come after a Vatican-funded panel of experts, including Nobel laureate Joseph Stiglitz, published a report last week that put the blame on ratings agencies for penalising low-income countries with low ratings and called for reforms.

But ratings agencies such as S&P have pointed out that their ratings use consistent methodologies across the globe and are only one input into international investors' decisions and risk appetite.

SA's G20 presidency has foregrounded high levels of indebtedness and the high cost of capital for developing countries, especially in Africa, and finance minister Enoch Godongwana has appointed an expert panel led by former finance minister Trevor Manuel to look at financing issues, including the cost of capital.

SPEAKING OUT: Standard Bank Group CEO Sim Tshabalala told a B20 briefing it was up to countries' fiscal authorities themselves to manage their public debt better Picture: FREDDY MAVUNDA

The B20 intends that its recommendations will align with and feed into the G20 agenda.

The African Development Bank has estimated that the continent needs $107bn (R1.89-trillion) a year to meet its infrastructure needs, and can fund only about half of this, leaving a $85bn (R1.5-trillion) annual gap.

For SA that gap is about $30bn (R530.8bn).

Tshabalala said the task force would make recommendations to make it easier and faster to execute infrastructure development on the continent, as well as about how to close the financing gap.

It would also recommend changes to the capital that banks and insurers were required to hold under the Basel rules, which unfairly penalised infrastructure and development finance institutions.

It would make proposals on recycling money from infrastructure projects into the economy, particularly to small and medium enterprises.

The B20's task forces are also working on proposals to ensure African countries take charge of their critical minerals to a greater extent, with Africa estimated to collect only 40% of the revenue that could be generated by these resources.

The group also plans to make recommendations on how the G20 can help unlock the $3.4-trillion opportunity represented by the African Continental Free Trade Area.

Intra-continental trade is only about 17% of total trade compared with Latin America's 22%.

Business Unity SA CEO Cas Coovadia, who leads the B20 as this year's "sherpa", said the B20's focus was on implementable action recommendations and policies that could give clear signals to the G20.

The B20 summit is due to be held on November 18-20 in Sandton, ahead of the G20 leaders' summit on November 22-23, after which SA will hand over the G20 presidency to the US. — *Business Day*