



United Nations
Economic Commission for Africa

***“Development challenges in Africa in the wake of the
COVID-19 pandemic”***

UNU-WIDER Conference

11 February 2021

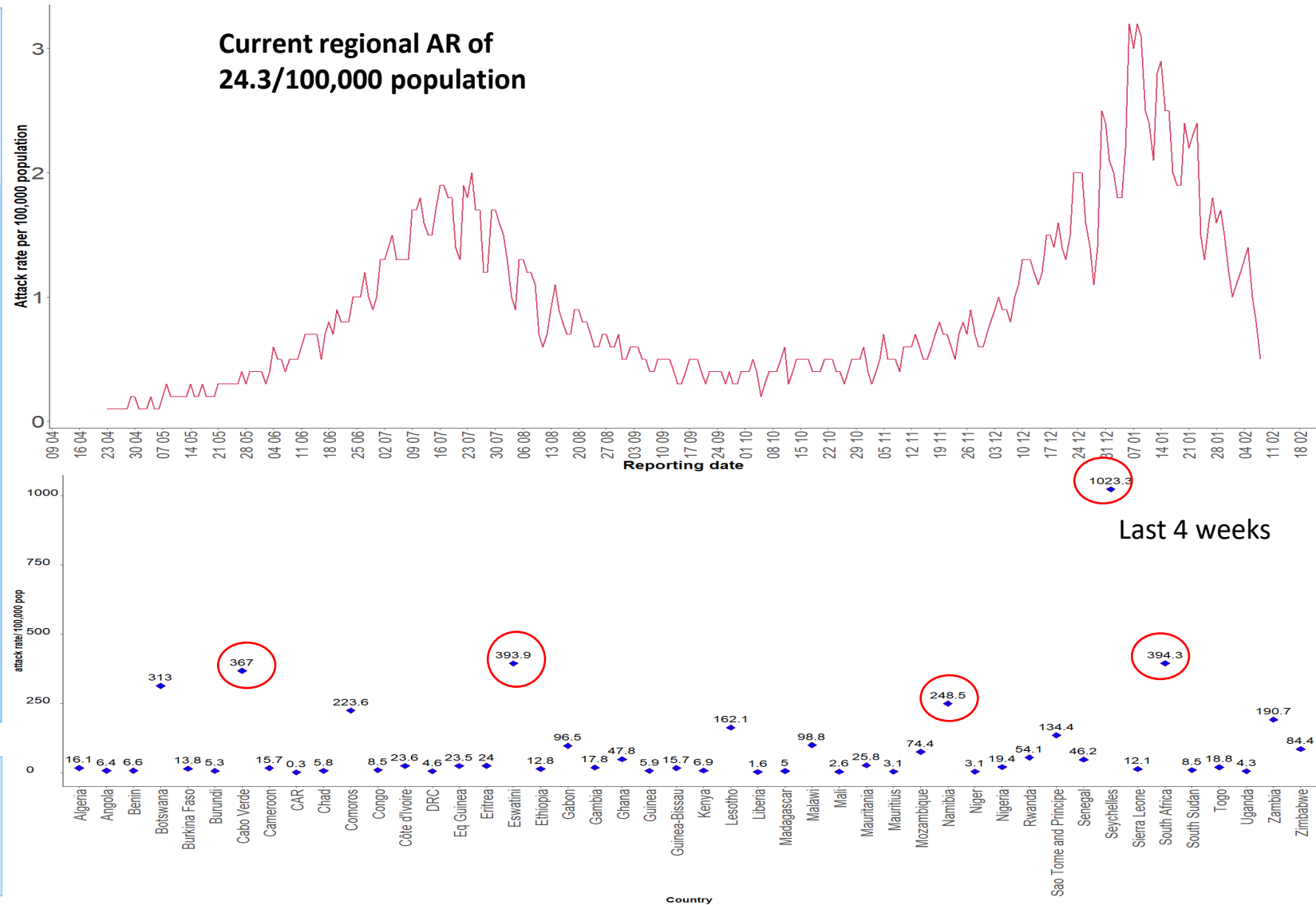
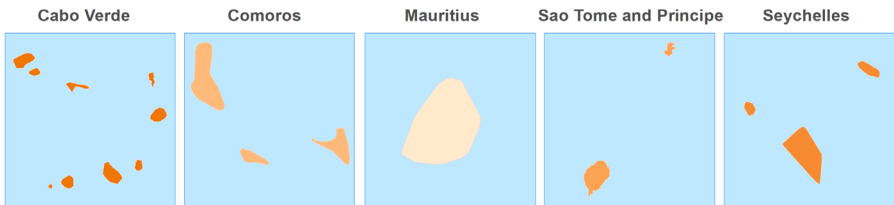
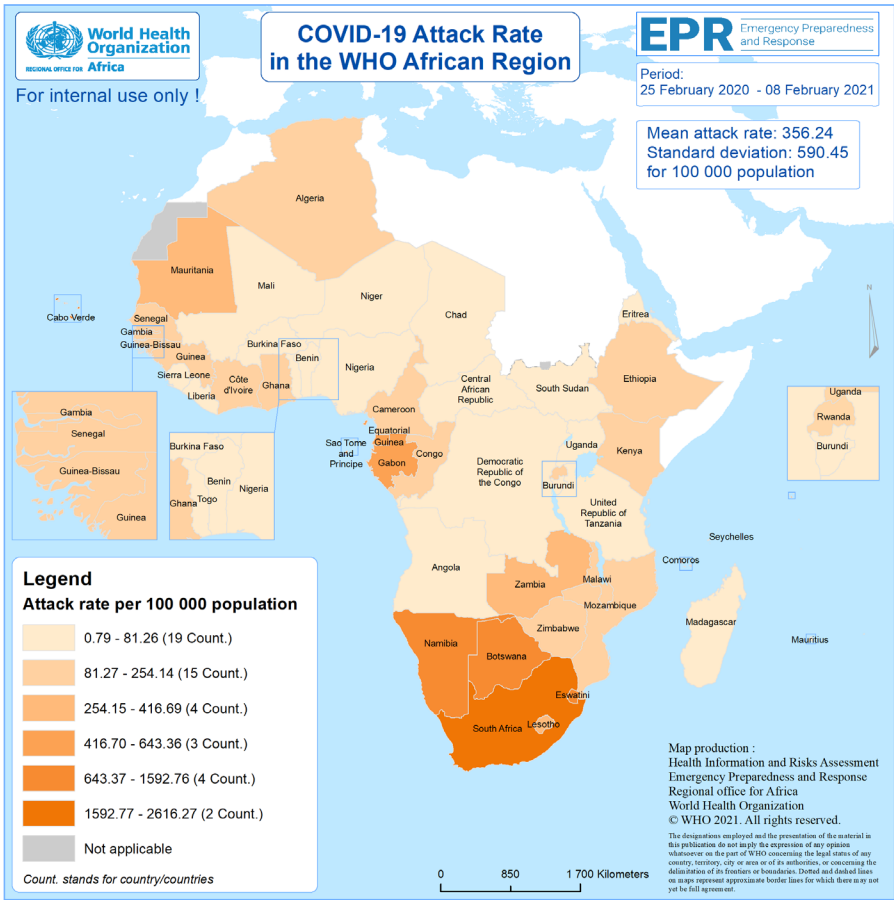


Vera Songwe

**UN Under Secretary General and Executive Secretary
UN Economic Commission for Africa**

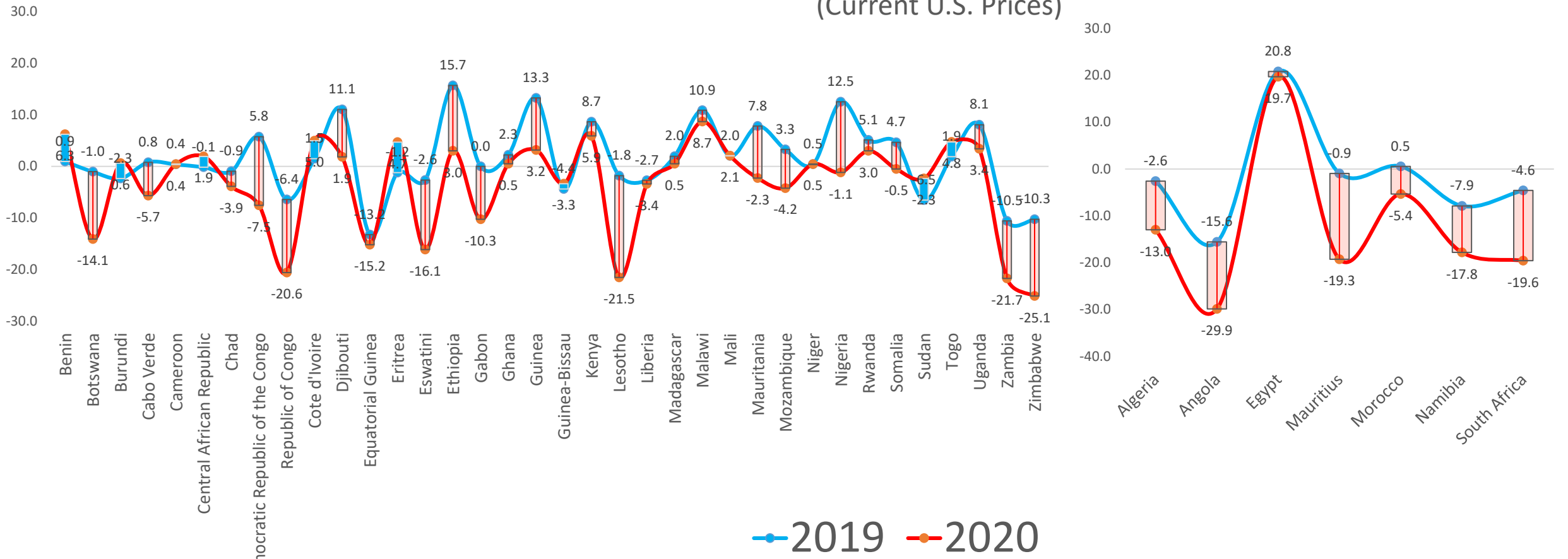
Africa's Pre-COVID Growth Trajectory and Fiscal Landscape

COVID-19 attack rate in Africa as of 9 February 2021



GDP Growth – Falling across the board

Annual GDP Growth
(Current U.S. Prices)



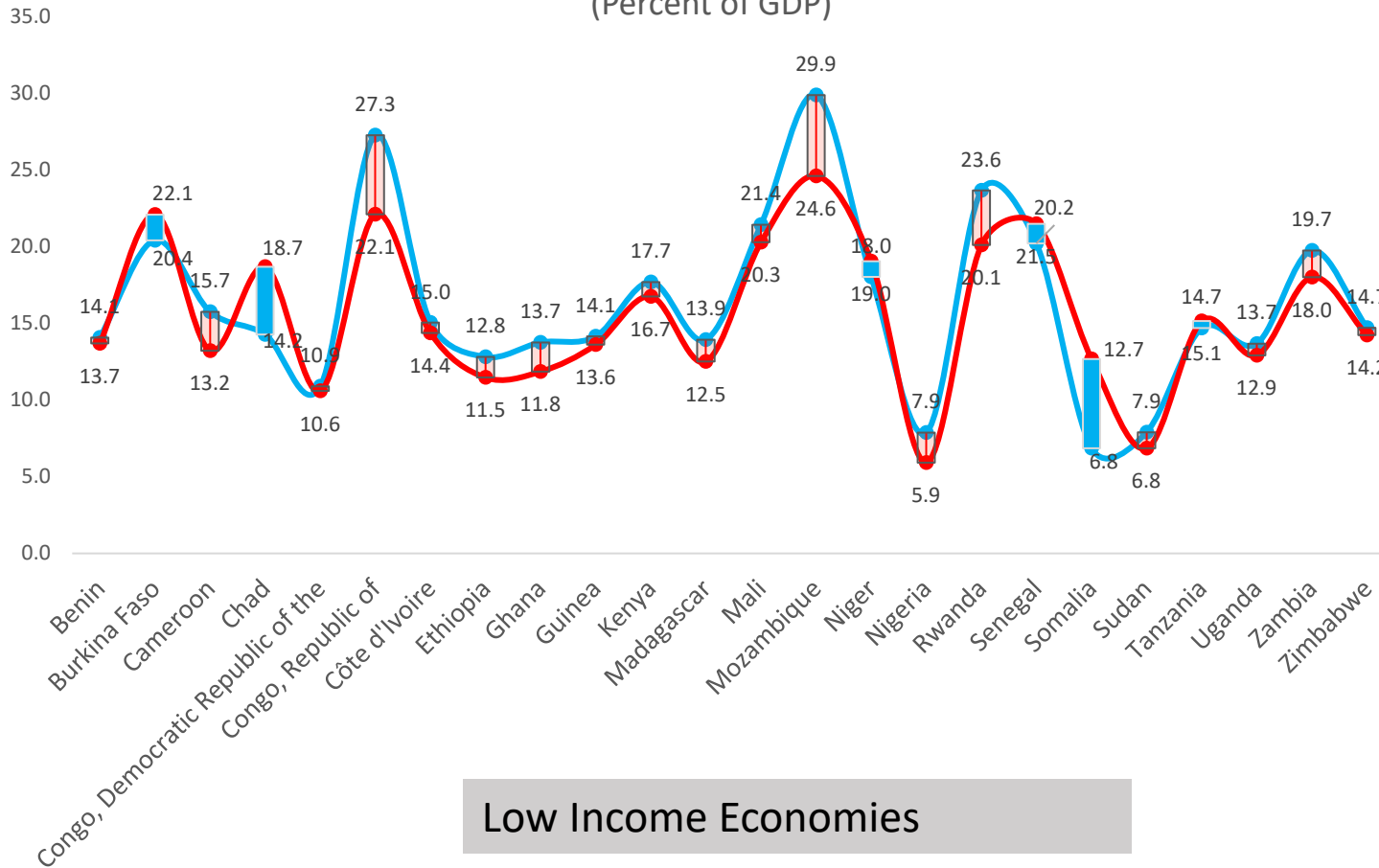
Low Income Economies

Emerging and Middle-Income Economies

Source: IMF, WEO, October 2020

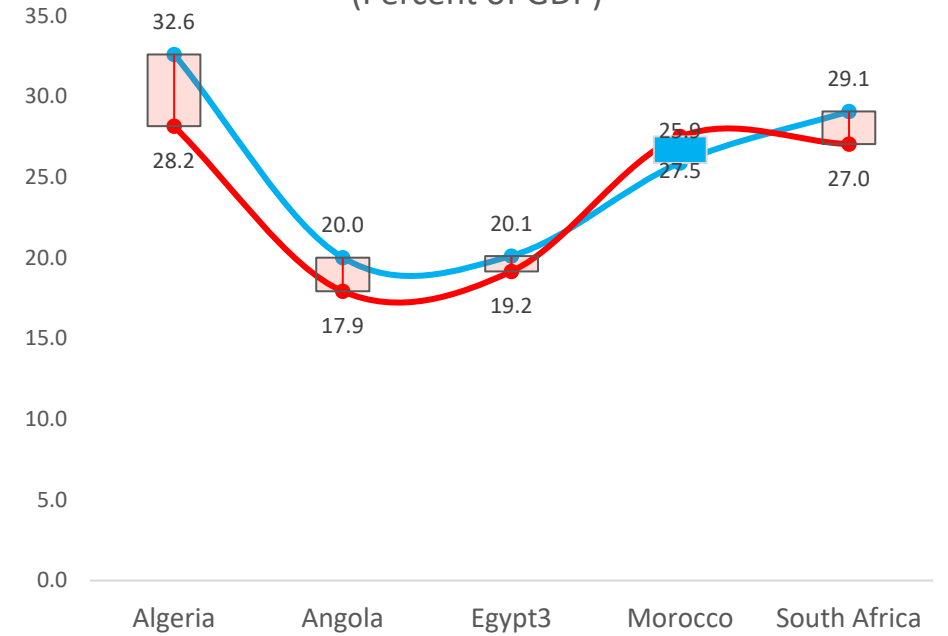
Government revenue – Contraction

General Government Revenue, 2019–2020
(Percent of GDP)



Low Income Economies

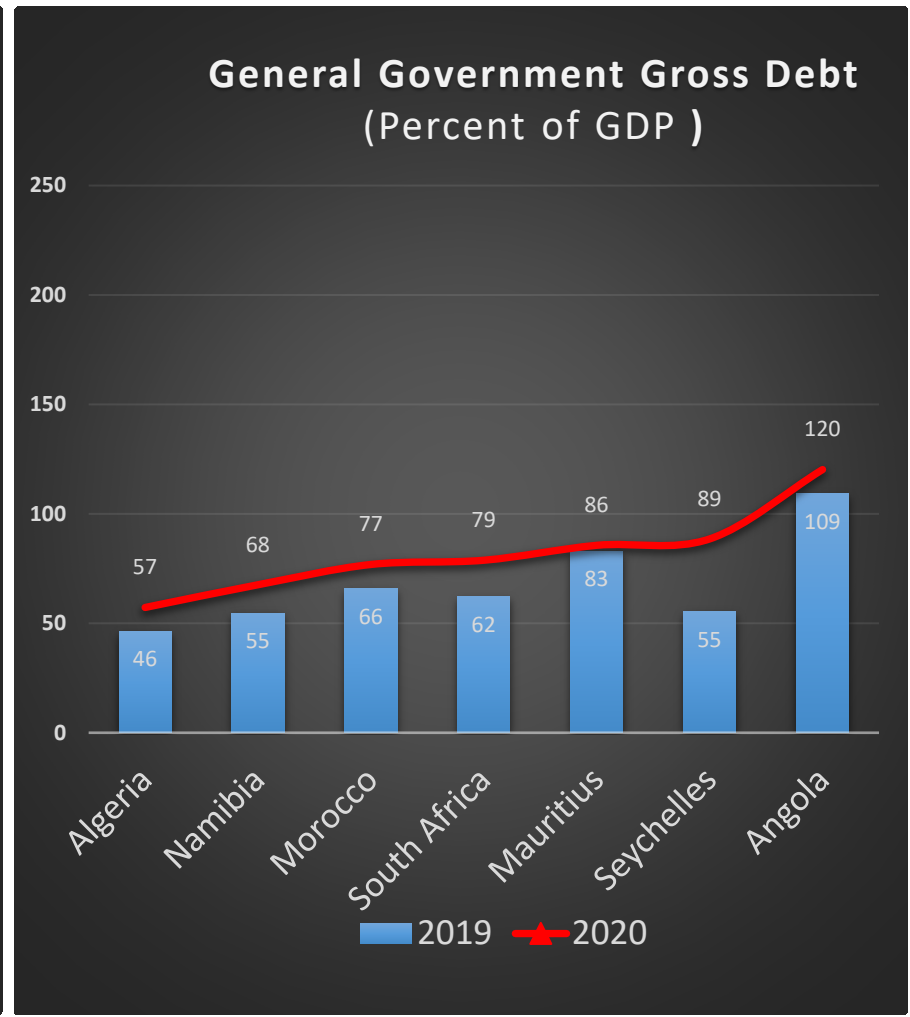
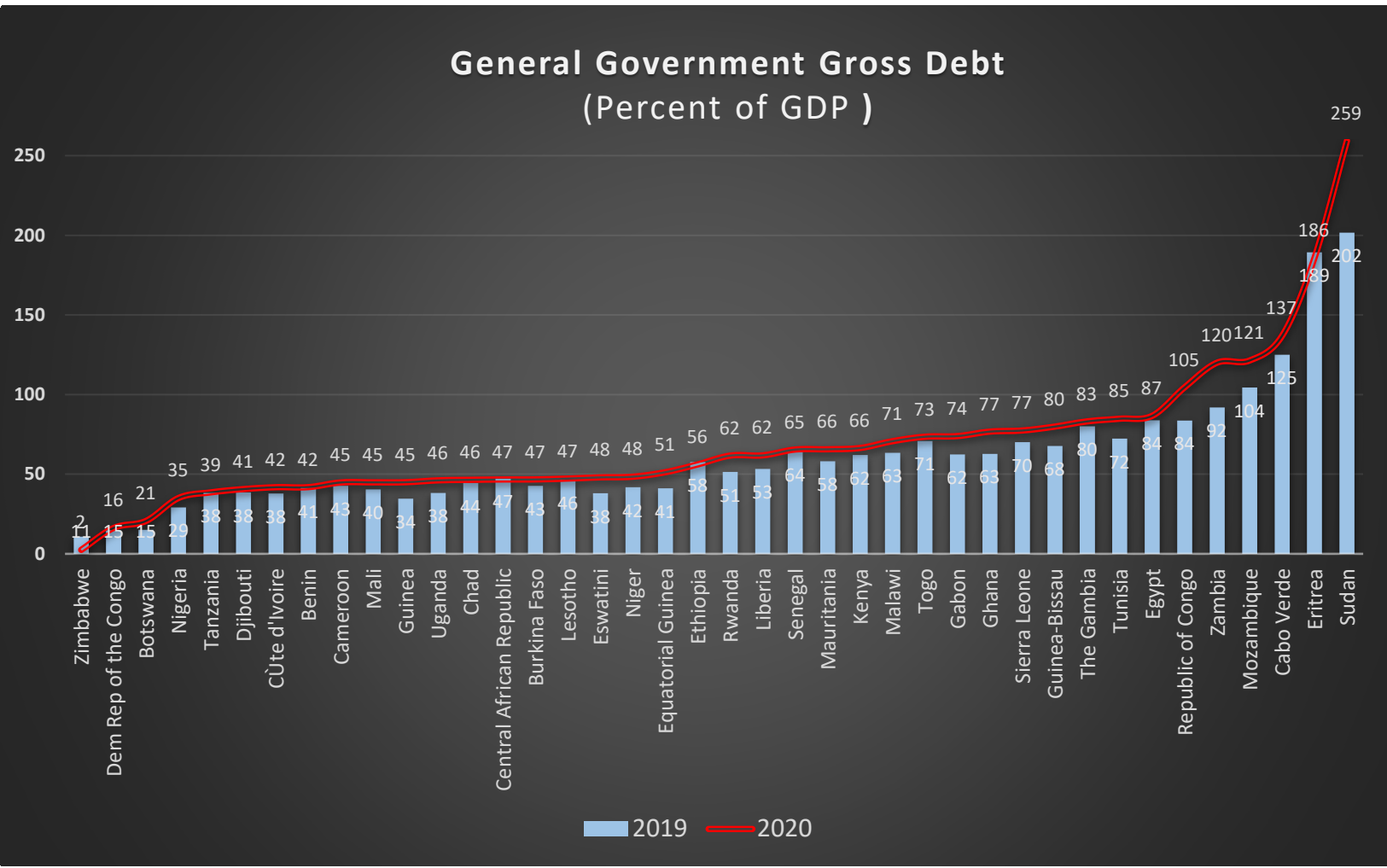
General Government Revenue, 2019–2020
(Percent of GDP)



Emerging and Middle-Income Economies

Source: IMF, Fiscal Monitor, October 2020

Government Debt – The 60 percent bar surpassed



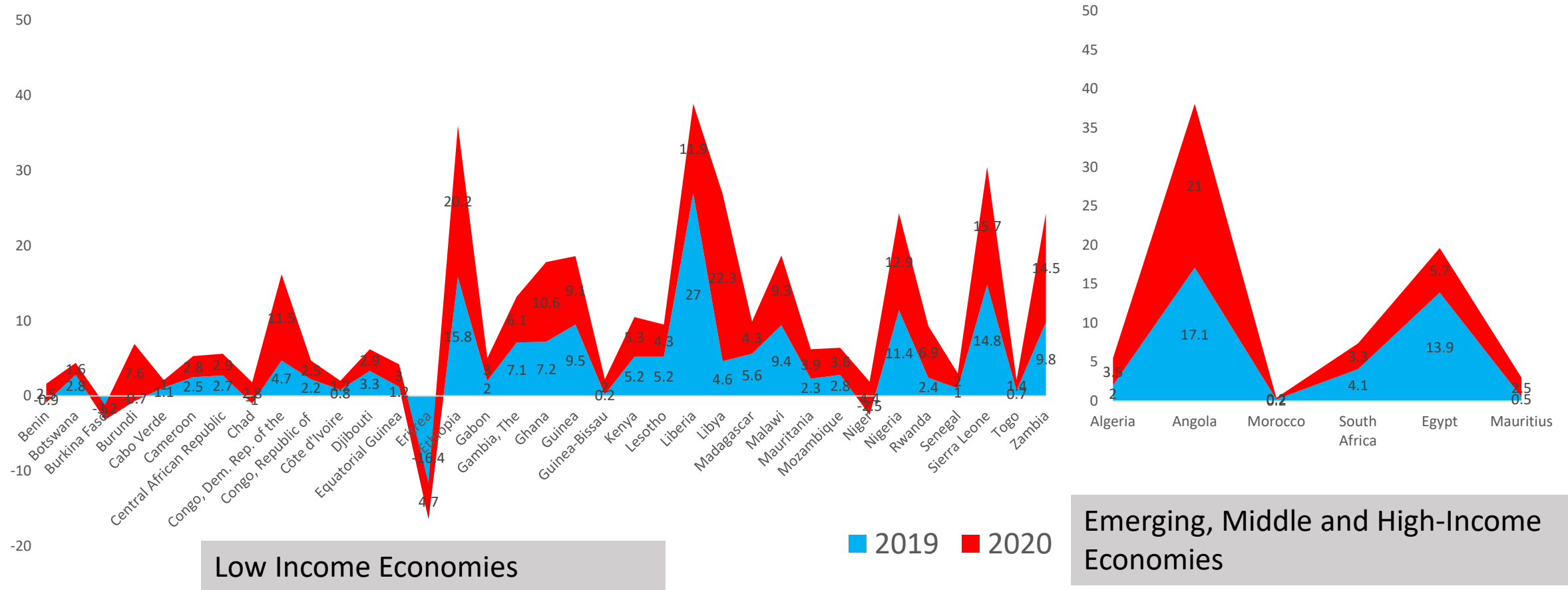
Low Income Economies

Emerging and Middle-Income Economies

Source: IMF, Fiscal Monitor, October 2020

Inflation: Increasing hence more social pressure

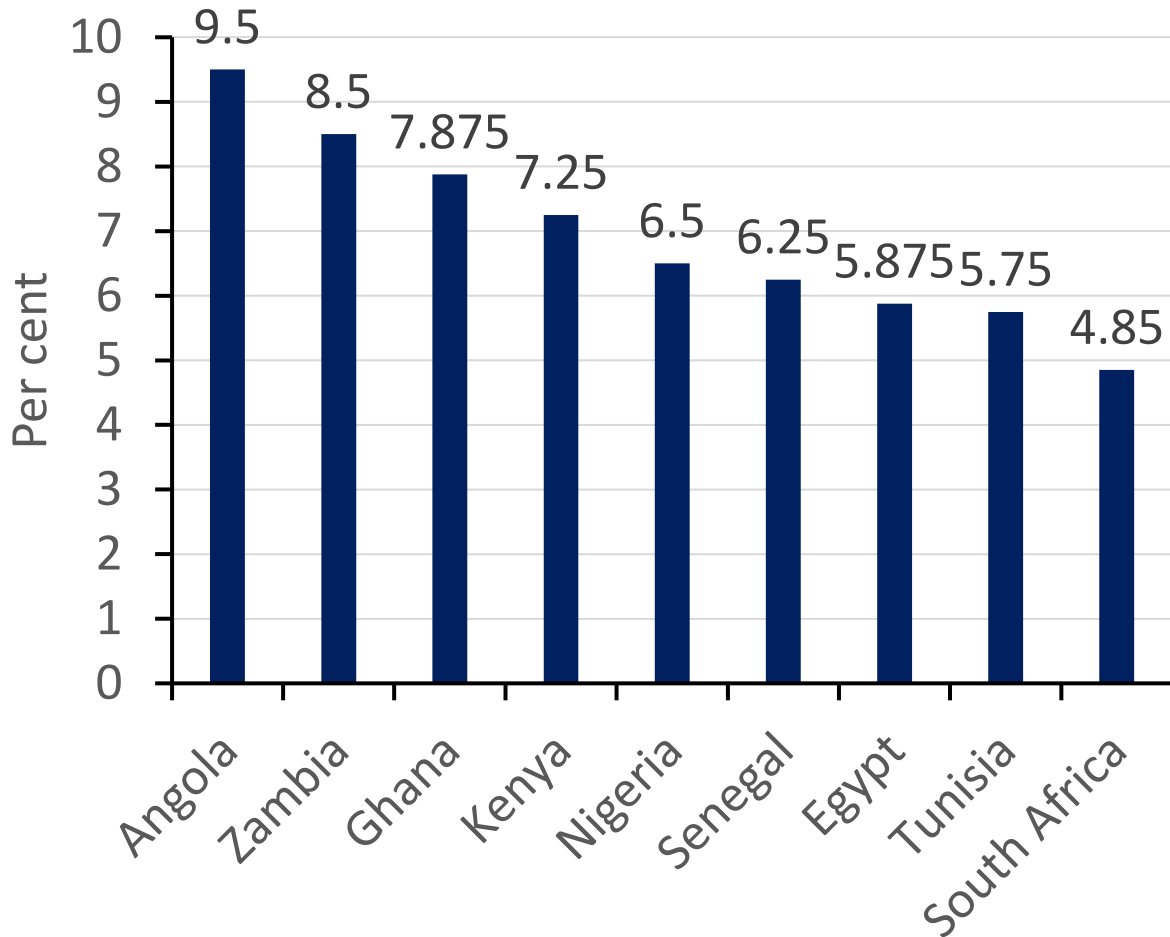
Inflation rate, average consumer prices
(Annual percent change)



Source: IMF, International Finance Statistics

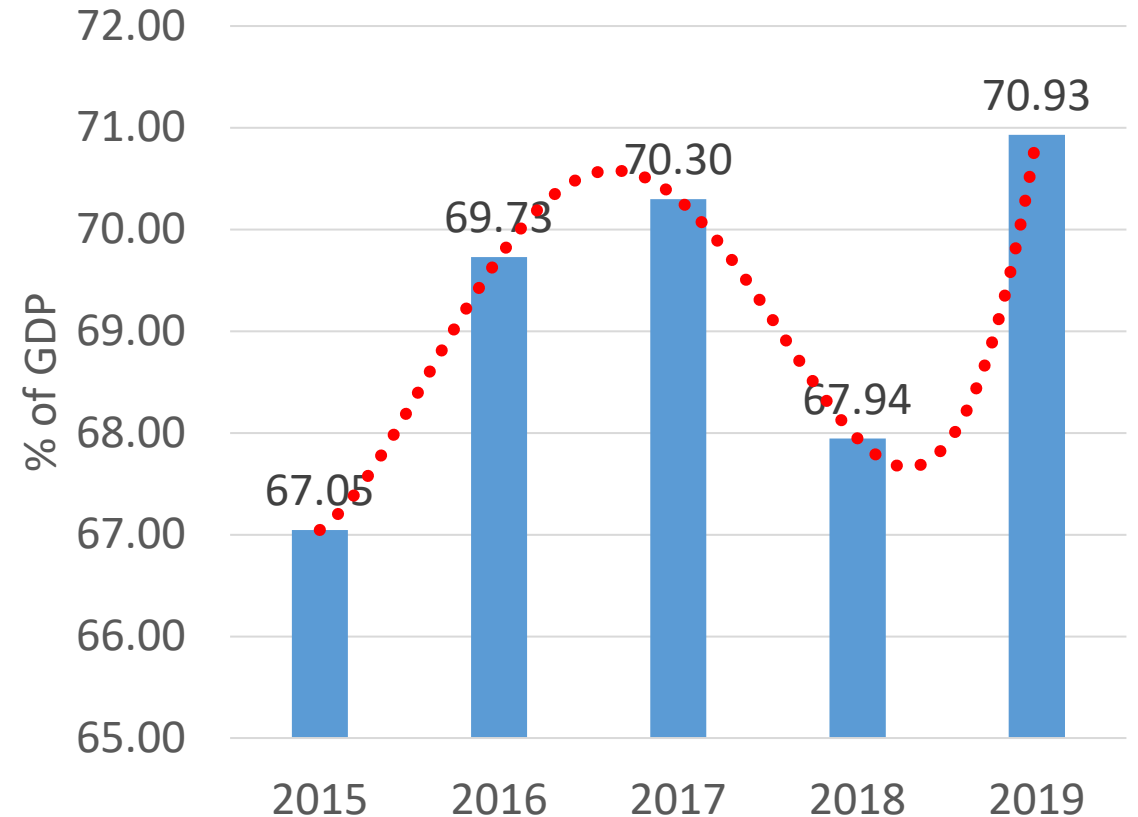
Increased private external debt at high premiums contributing to elevated debt & rising debt service burden: Africa's coupon rates for 10 – year bonds above 4.9%

Interest Rate (%)



Source: Bond E Value, October 2020

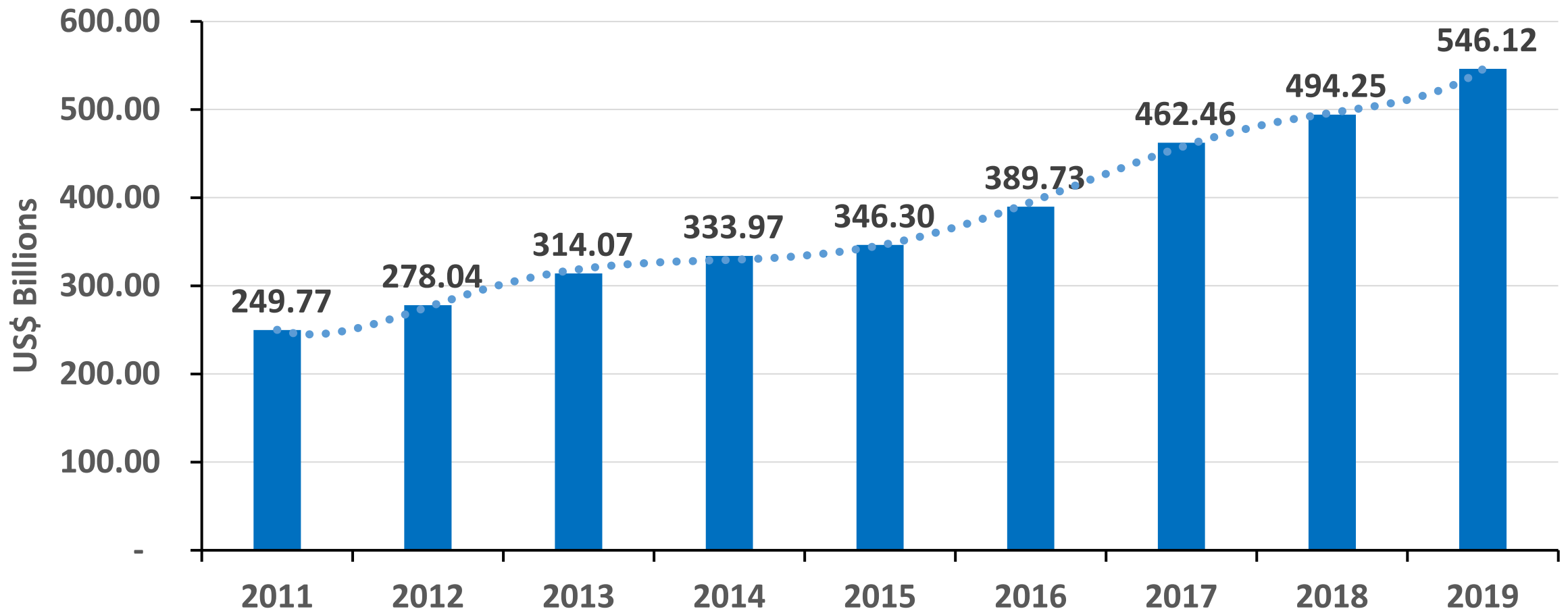
Africa's Private external debt stocks (% of GDP)



Source: World Bank; ECA calculations

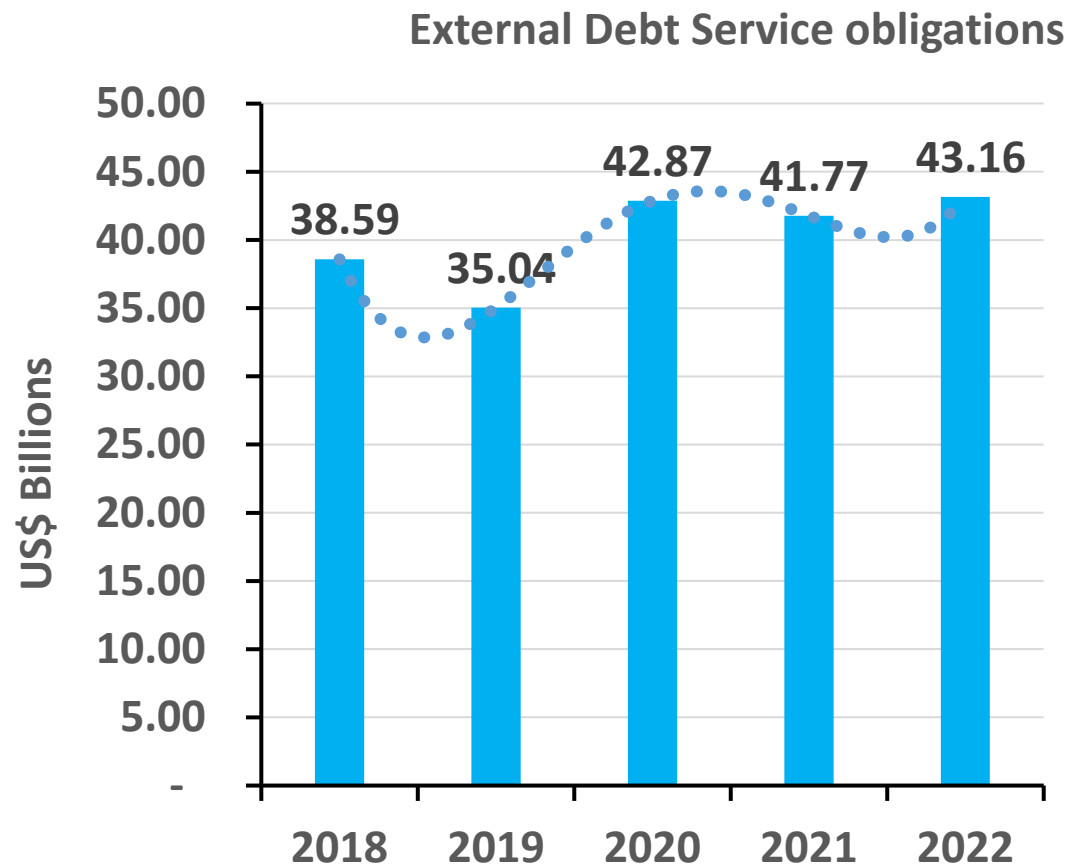
The external debt stock more than doubled in the last decade

Africa External Debt Stocks (US\$ Billions)

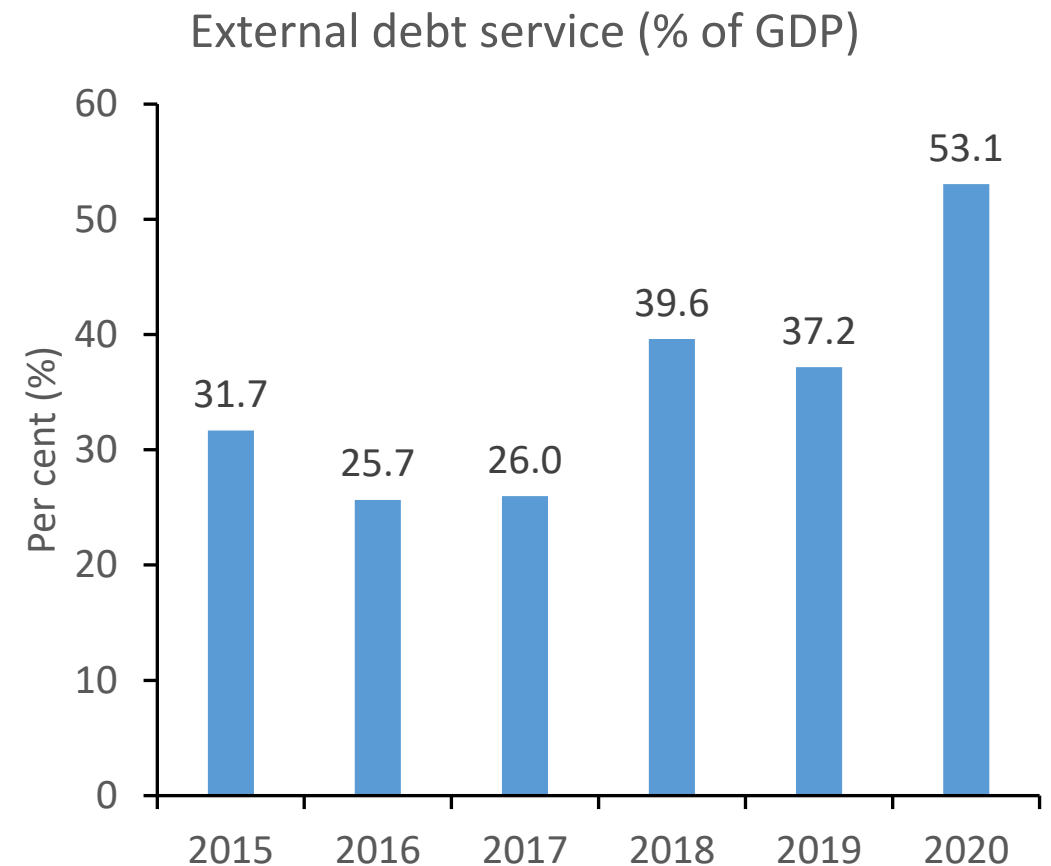


Source: International Debt Statistics, World Bank – October 2020

The rising debt stock projected to further increase the debt service burden as a share of GDP

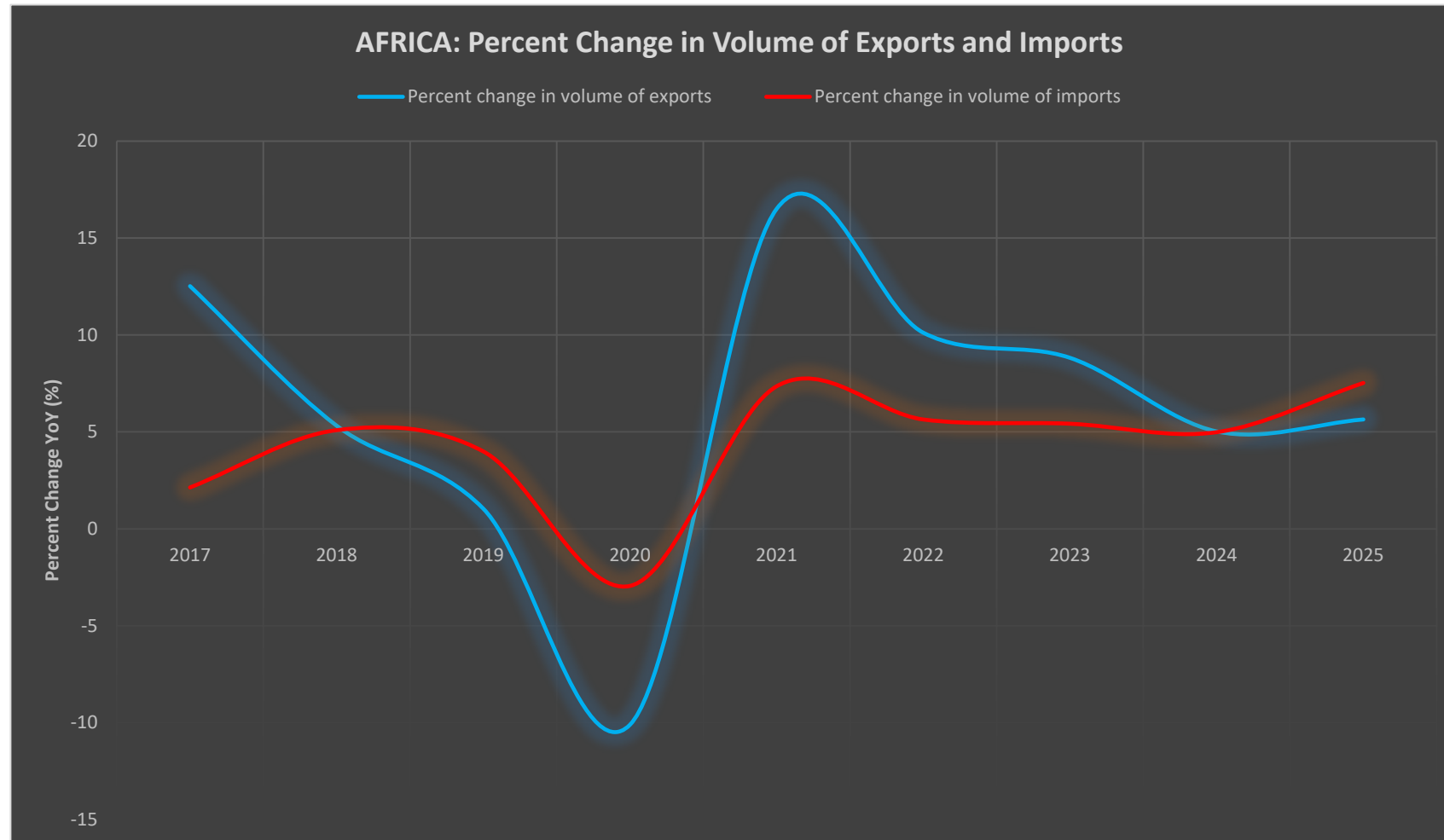


Source: International Debt Statistics, World Bank – October 2020



Source: World Development Indicators and World Economic Outlook, IMF – October 2020

Terms of trade deteriorated in Africa as the virus spread



Source: IMF, WEO, October 2020

Note: Projections start after 2019



Remittances: A lifeline for the global economy

In 2019, remittance flows were five times higher than foreign aid (\$714 billion vs \$153 billion)

78%

The global share of remittance flows to low- and middle-income countries

3%

Remittances as a share of African GDP

8%

The average cost of sending money to Africa

14%

The average cost of sending money from Africa

3%

The Sustainable Development Goal 10 target for remittance fees.

\$20 billion

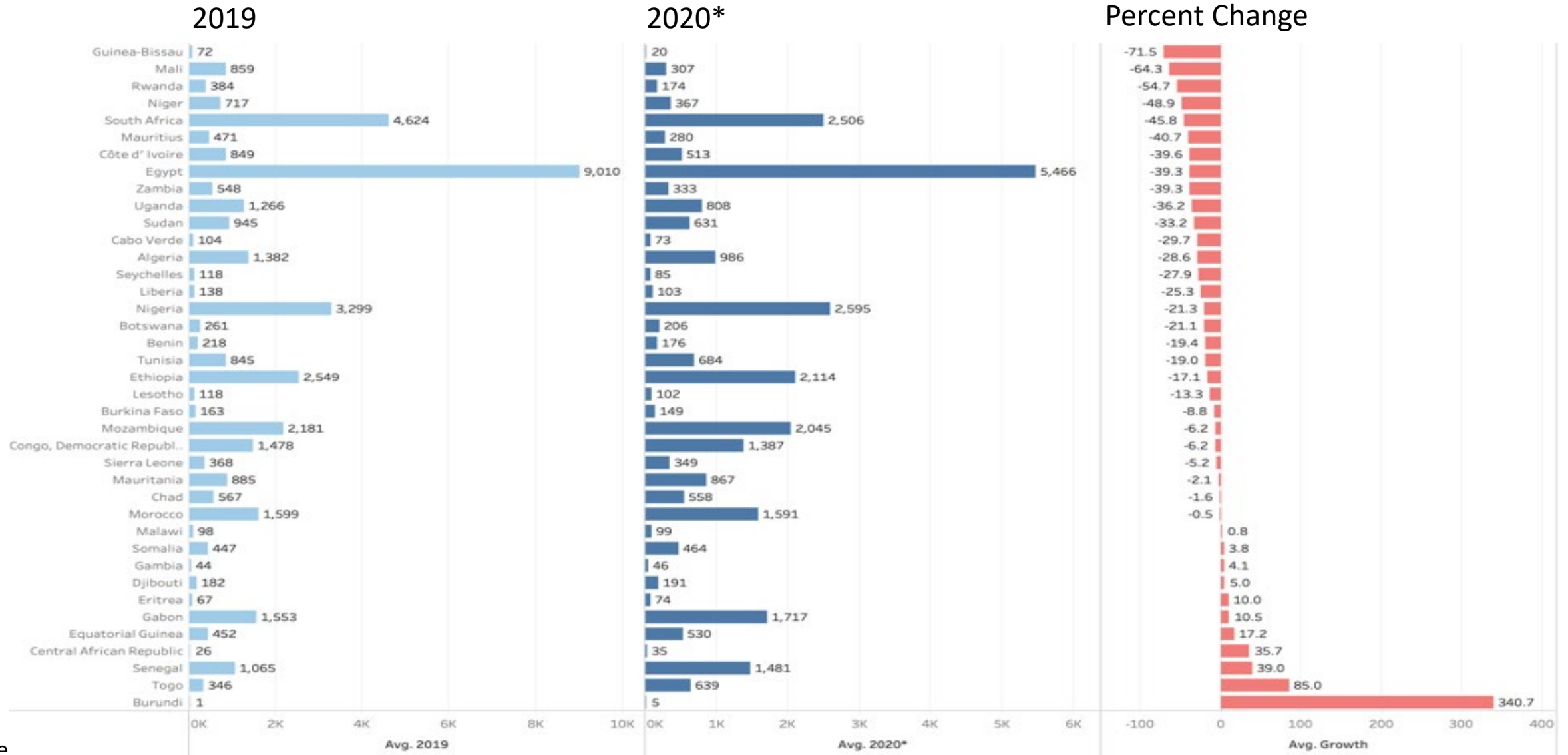
The annual remittance surplus if remittance fees averaged 3% globally

-21%

Expected impact of the COVID-19 pandemic on remittance flows to Africa in 2020

In Nigeria, remittances are equivalent to the size of the country's federal government budget

FDI Flows to Africa (Millions of USD)



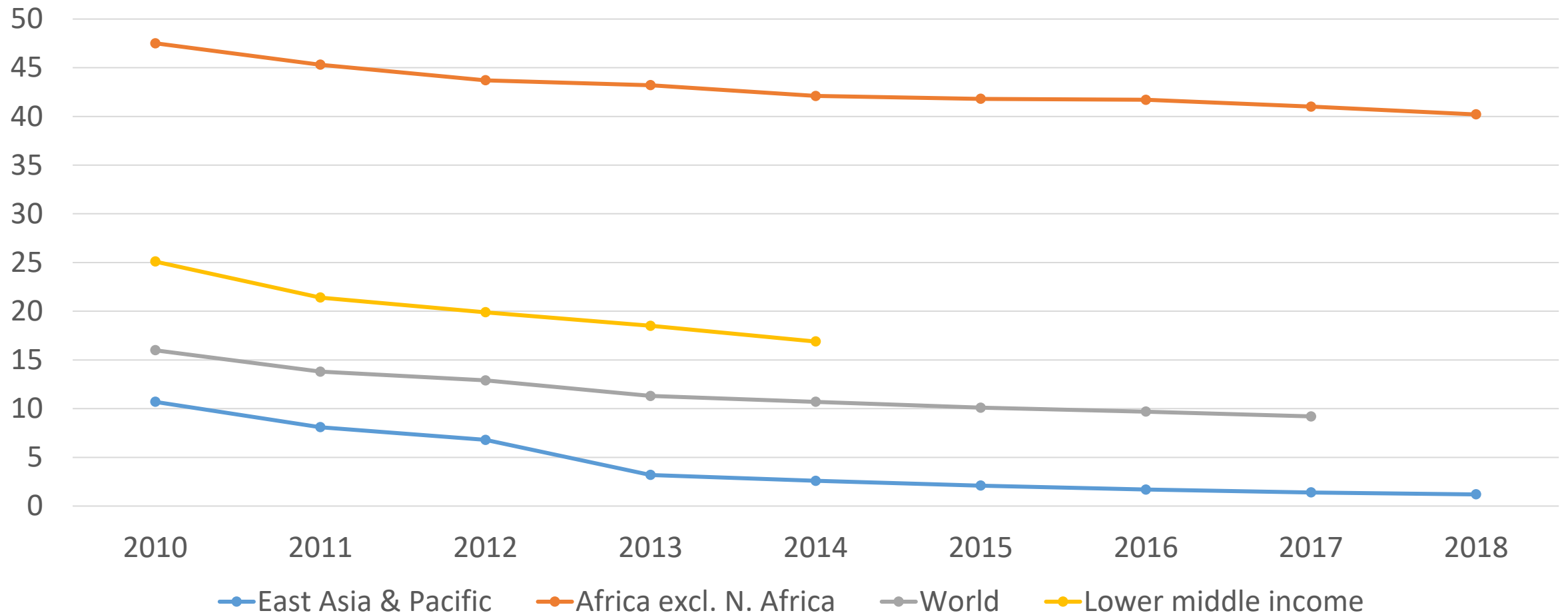
Source

Note: *Annual figures are estimated based on available partial-year data

Pre-COVID SDG Trends

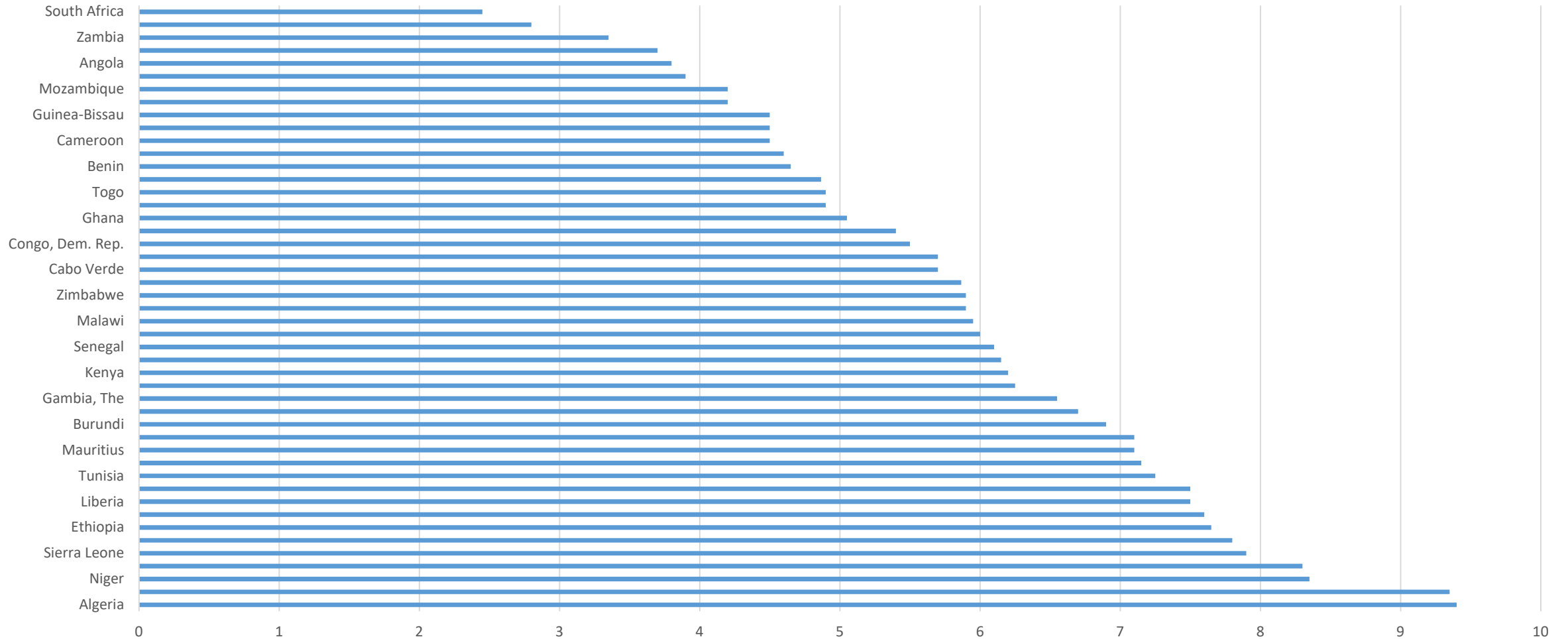
Slow rate of poverty reduction

Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)



High levels of inequality

Income share held by lowest 20% [2010-2018 average]



Covid-19 will make SDG achievement more challenging

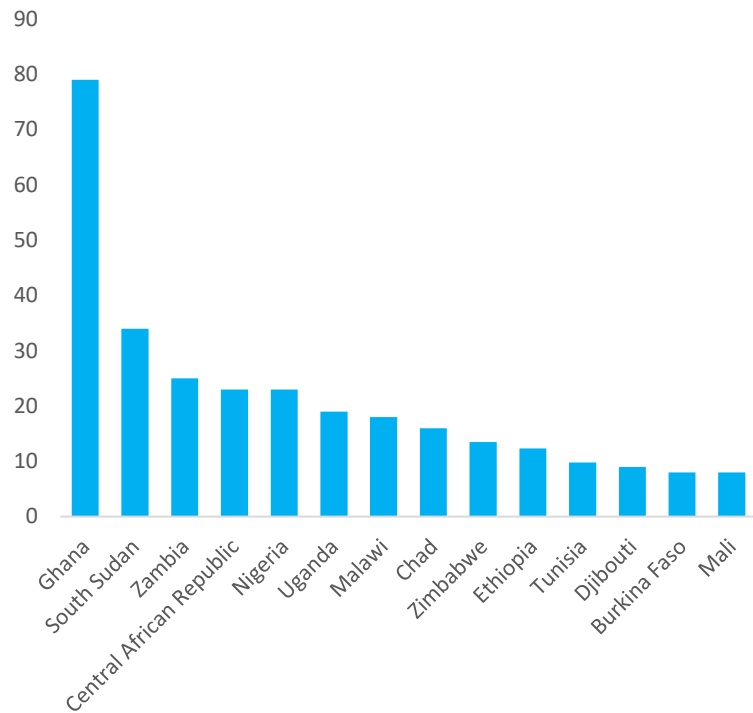
- Rising Covid-19 cases and deaths, limited vaccines and zero rollout in Africa suggests a prolonged pandemic in Africa
- COVAX will at best only deliver 20% of Africa's vaccine needs. But 60 percent coverage is needed to achieve herd immunity
- In this context, immediate access to vaccines is critical
- **second, or third waves could** wipe out any remaining fiscal space countries have – this could **break their resilience**
- **Rapid actions to finance** governments' **near and long term responses** to COVID-19 are needed.
- Africa must mobilize both domestic and external resources to effectively respond to the crisis

Projected Socio-Economic Impact of the COVID crisis

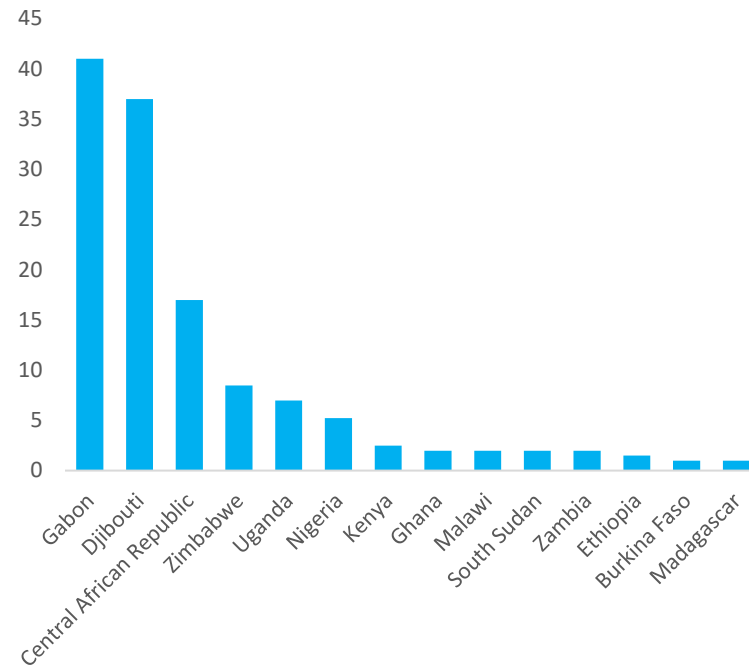
Impact on Livelihoods and Access to Safety Nets

Policy responses to Covid-19 must safeguard vulnerable populations

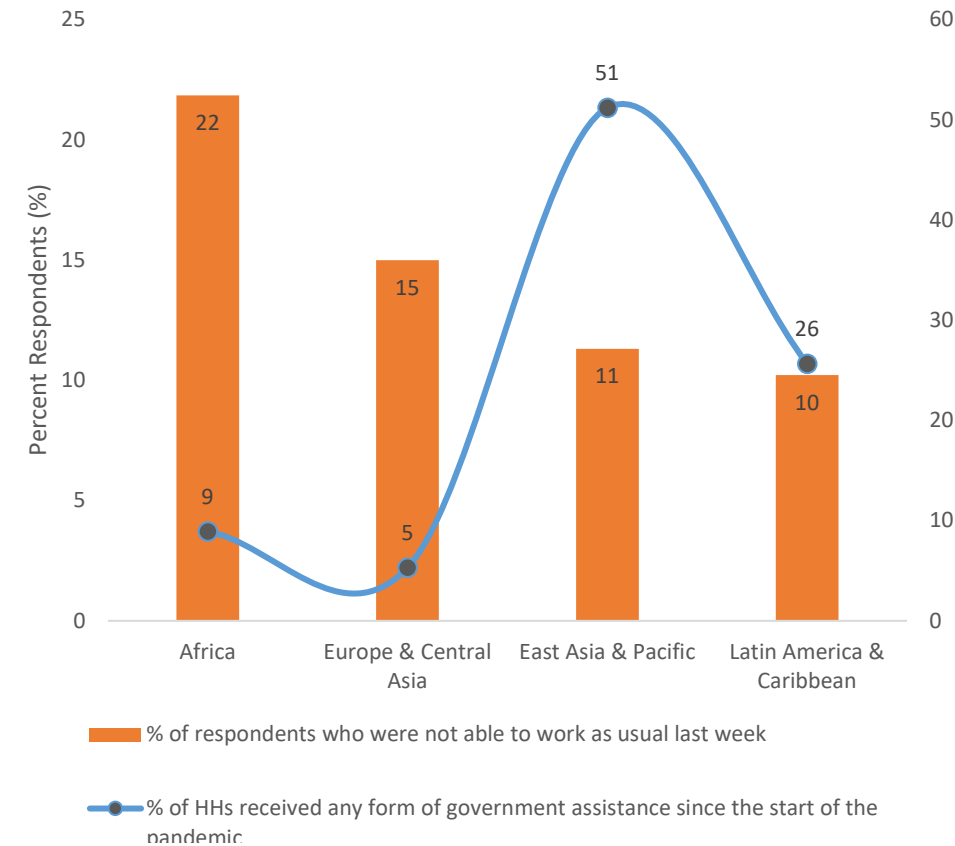
% of respondents who were not able to work as usual last week



% of Households (HH) received any form of government assistance since the start of the pandemic



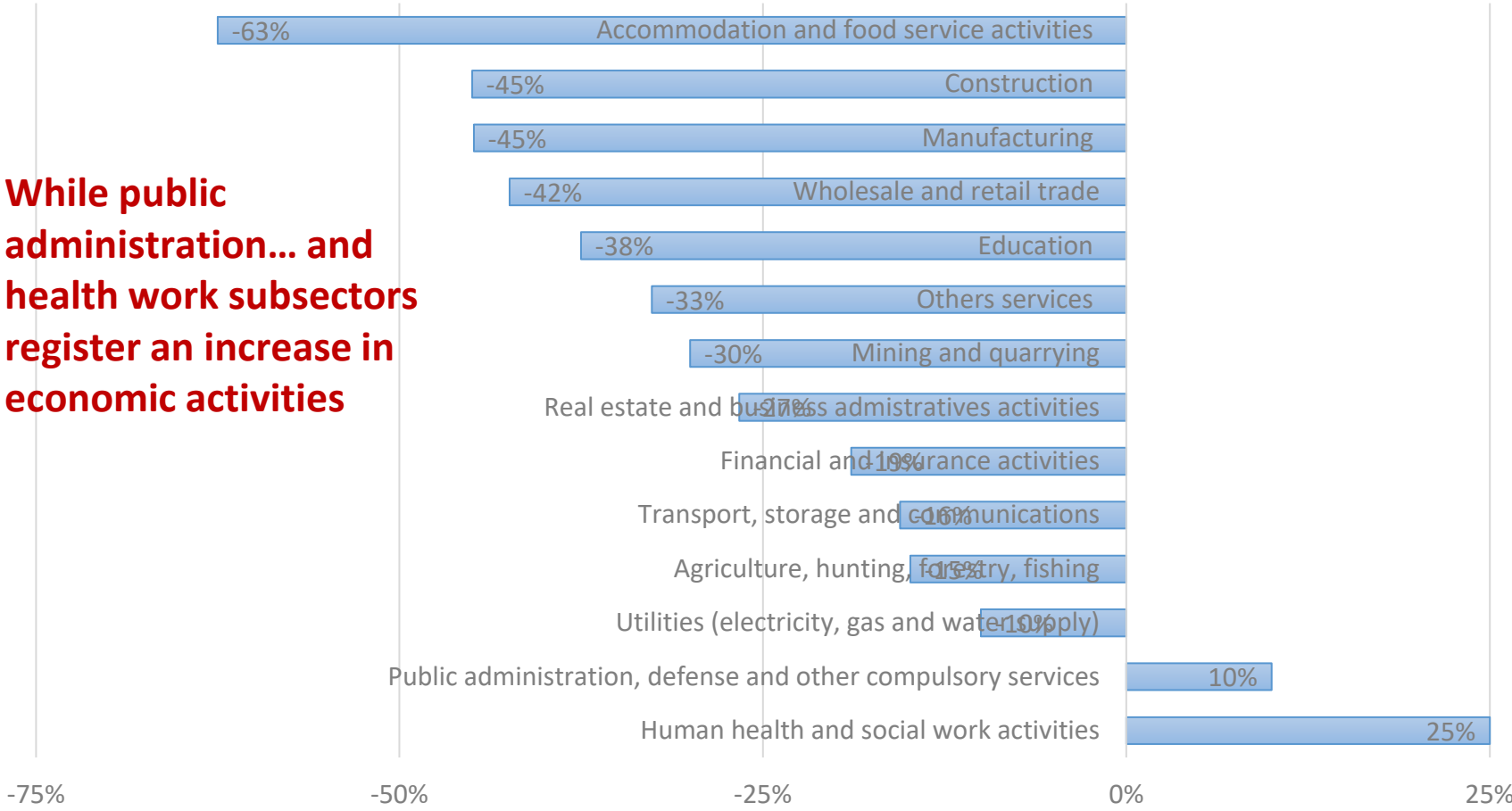
Safety Nets & Livelihoods



Source: WBG, COVID-19 High-Frequency Monitoring Dashboard, 2020

At sectoral level, the pandemic has severely affected the tourism-related industries (especially accommodation and food service activities, and travel)

Estimated Loss in Activity by economic sub-sector in 2020 due to lockdowns measures



While public administration... and health work subsectors register an increase in economic activities

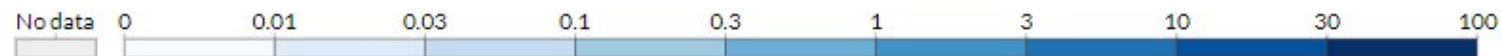
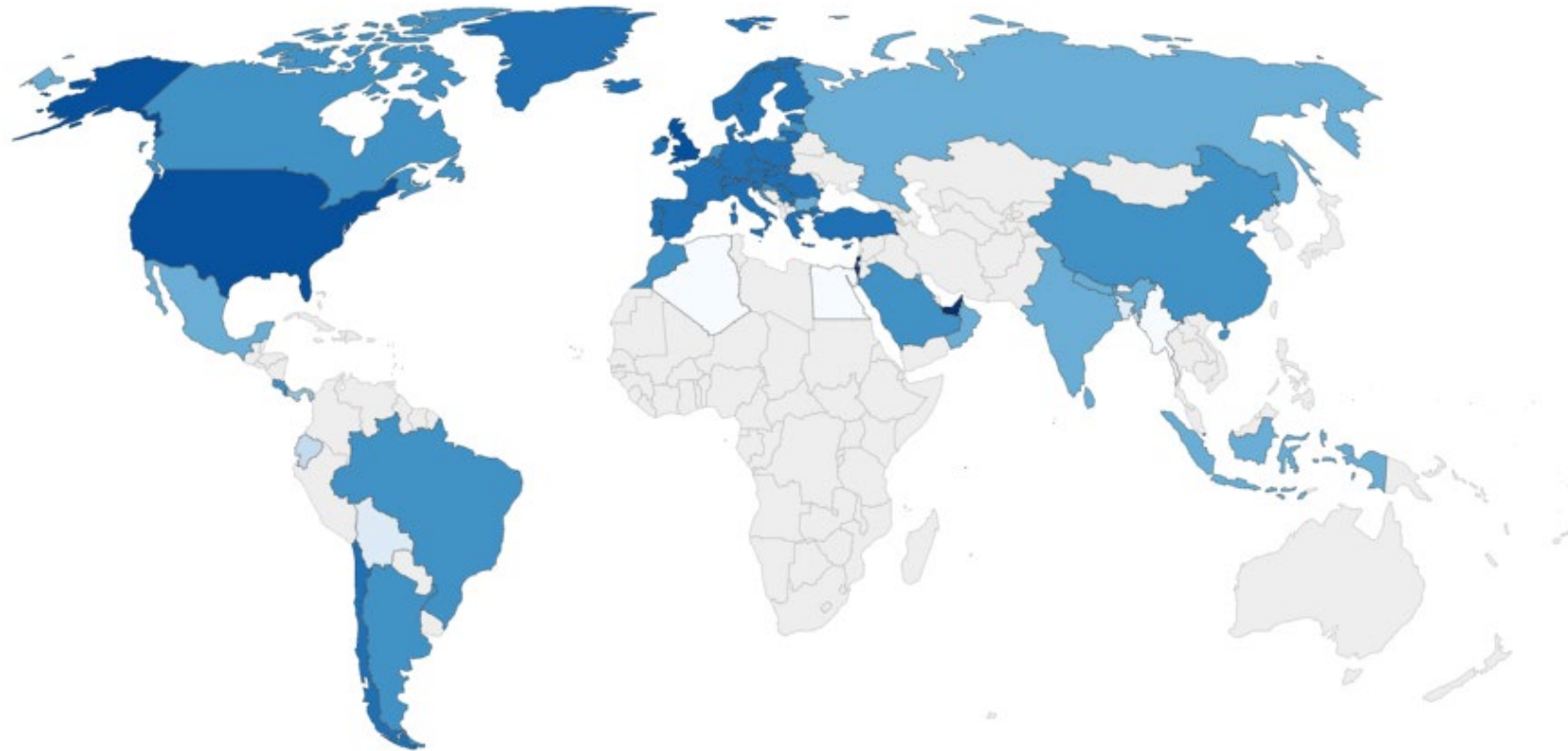
Responses to the Challenges Posed by the Pandemic

Vaccine doses administered – Fiscal space for health response and jobs

COVID-19 vaccine doses administered per 100 people, Feb 9, 2021

Total number of vaccination doses administered per 100 people in the total population. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).

World



Source: Official data collated by Our World in Data – Last updated 3 February, 09:00 (London time)

African Countries DSSI Status as at January 2021

25 countries have signed MoUs to take up the DSSI with average potential savings equal to 0.71% of 2019 GDP

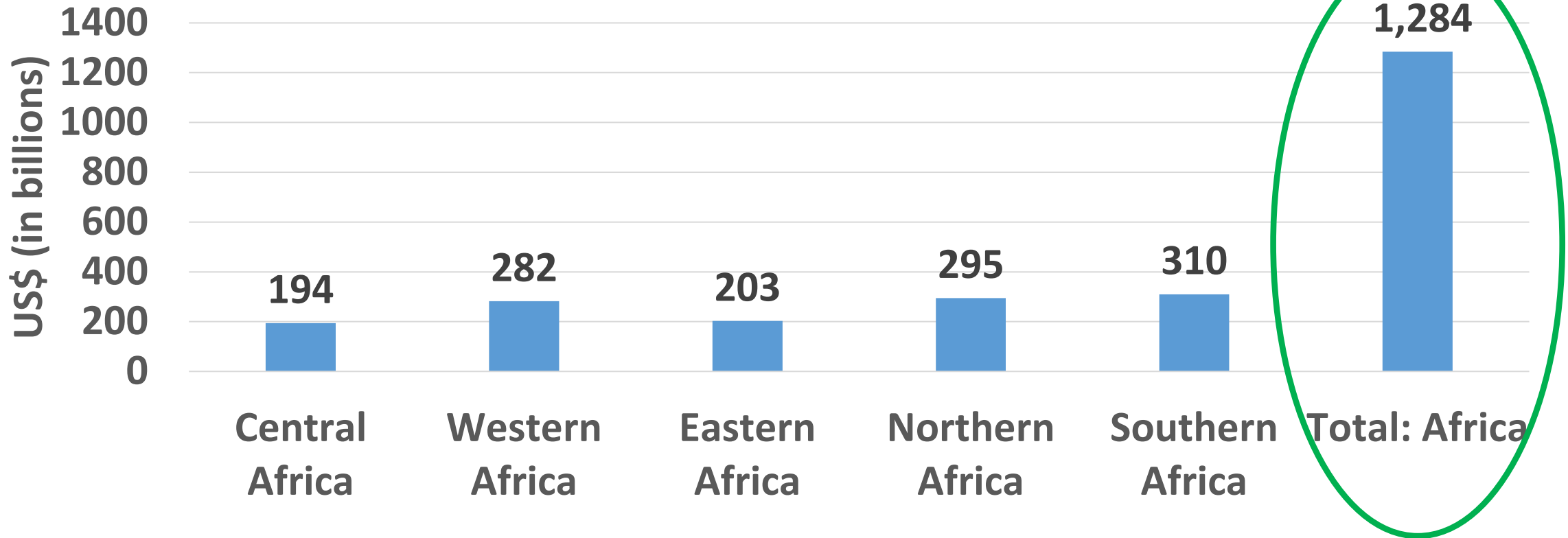
S/N	DSSI Participating Countries	Potential DSSI Savings (% of 2019 GDP)	Potential DSSI Savings (in USD millions)	S/N	DSSI Participating Countries	Potential DSSI Savings (% of 2019 GDP)	Potential DSSI Savings (in USD millions)
1	Angola	2	1782.9	13	Lesotho	0.4	9.8
2	Burkina Faso	0.2	25.9	14	Madagascar	0.3	35.5
3	Cabo Verde	0.9	18	15	Mali	0.5	82.5
4	Cameroon	0.9	337.3	16	Mauritania	1.2	90.8
5	Chad	0.6	65.4	17	Mozambique	1.9	294
6	Comoros	0.2	2.3	18	Niger	0.2	26
7	Congo Dem. Rep	0.3	156.3	19	Sao Tome and Principe	0.4	1.7
8	Congo Rep	1.4	181.8	20	Senegal	0.6	139.2
9	Cote d'Ivoire	0.4	225.3	21	Sierra Leone	0.2	8.1
10	Djibouti	1.7	56.8	22	Tanzania	0.2	138.9
11	Ethiopia	0.5	472.9	23	Togo	0.4	24.4
12	Guinea	1.1	147.9	24	Zambia	0.7	165.4
				25	Kenya	0.7	630.80
	Grand Total						USD 5,119.9

Source: World Bank; ECA calculations

Africa's COVID-19 financing – January to December 2020

African countries have limited domestic resources, and rely heavily on bilateral and multilateral institutions (notably Bretton Woods, UN, Government, Private sector)

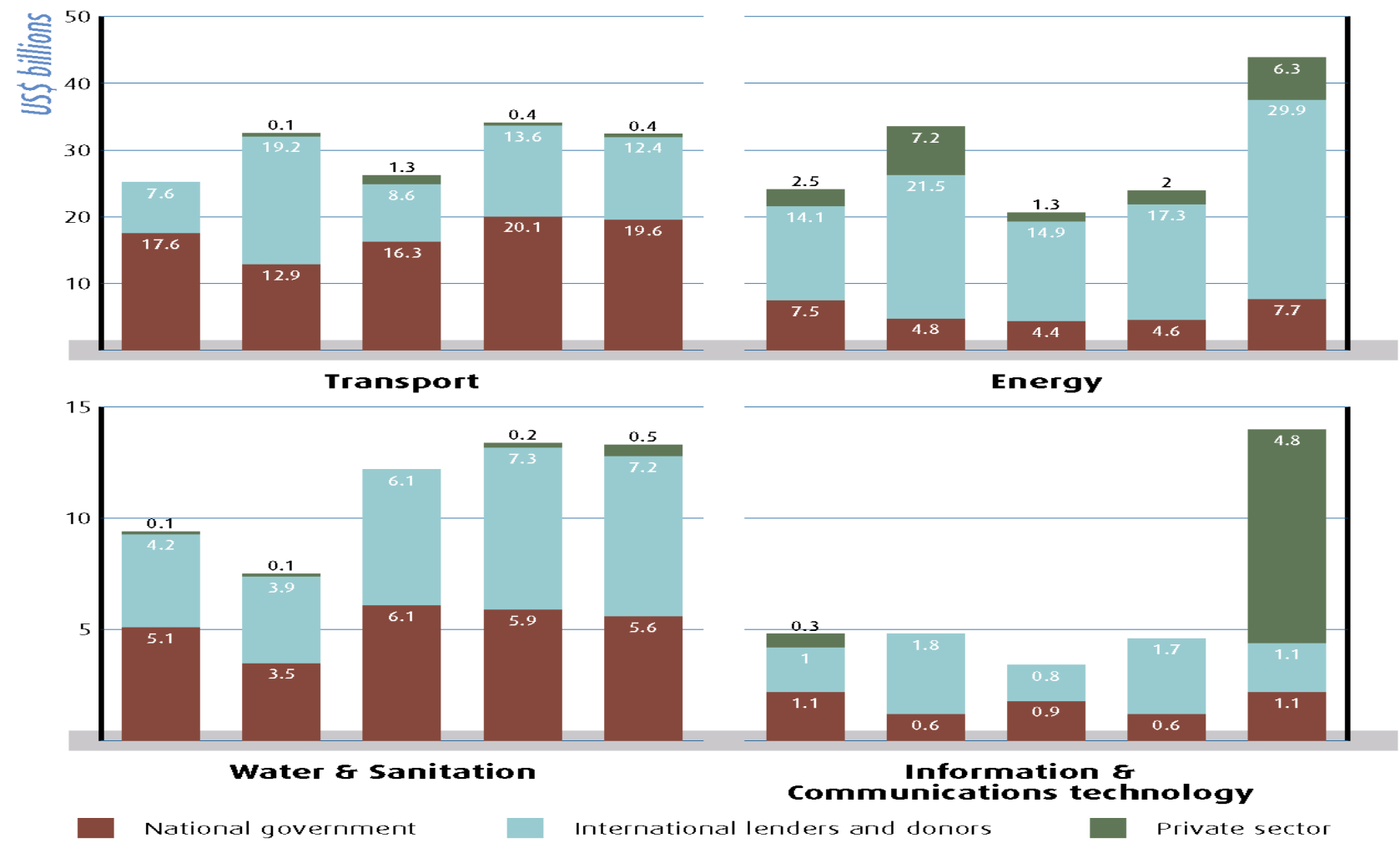
COVID-19 Financing in Africa (in US\$ billions)



Source: ECA calculations based on data from Devex Funding the response to COVID-19 tracker

Financing the cost to achieve the SDGs by 2030 in Africa (estimated at about \$1.3 trillion a year) will depend on innovative financing and increased private investments.

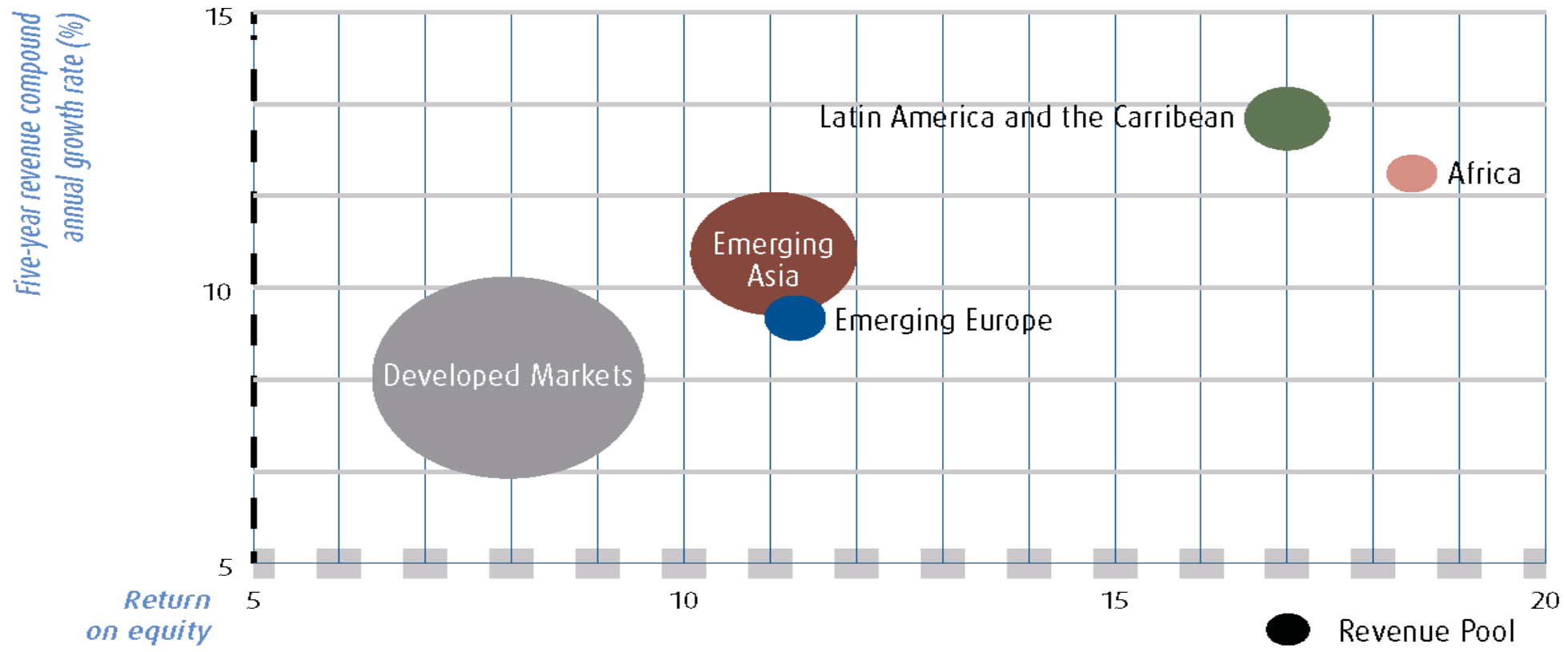
Infrastructure investment by international lenders and donors, national governments and the private sector in Africa



Source: Based on ICA database (2019).

African Banking Sector is growing very fast and can facilitate recovery.

The African banking sector is one of the fastest growing and most profitable in the world (2019)

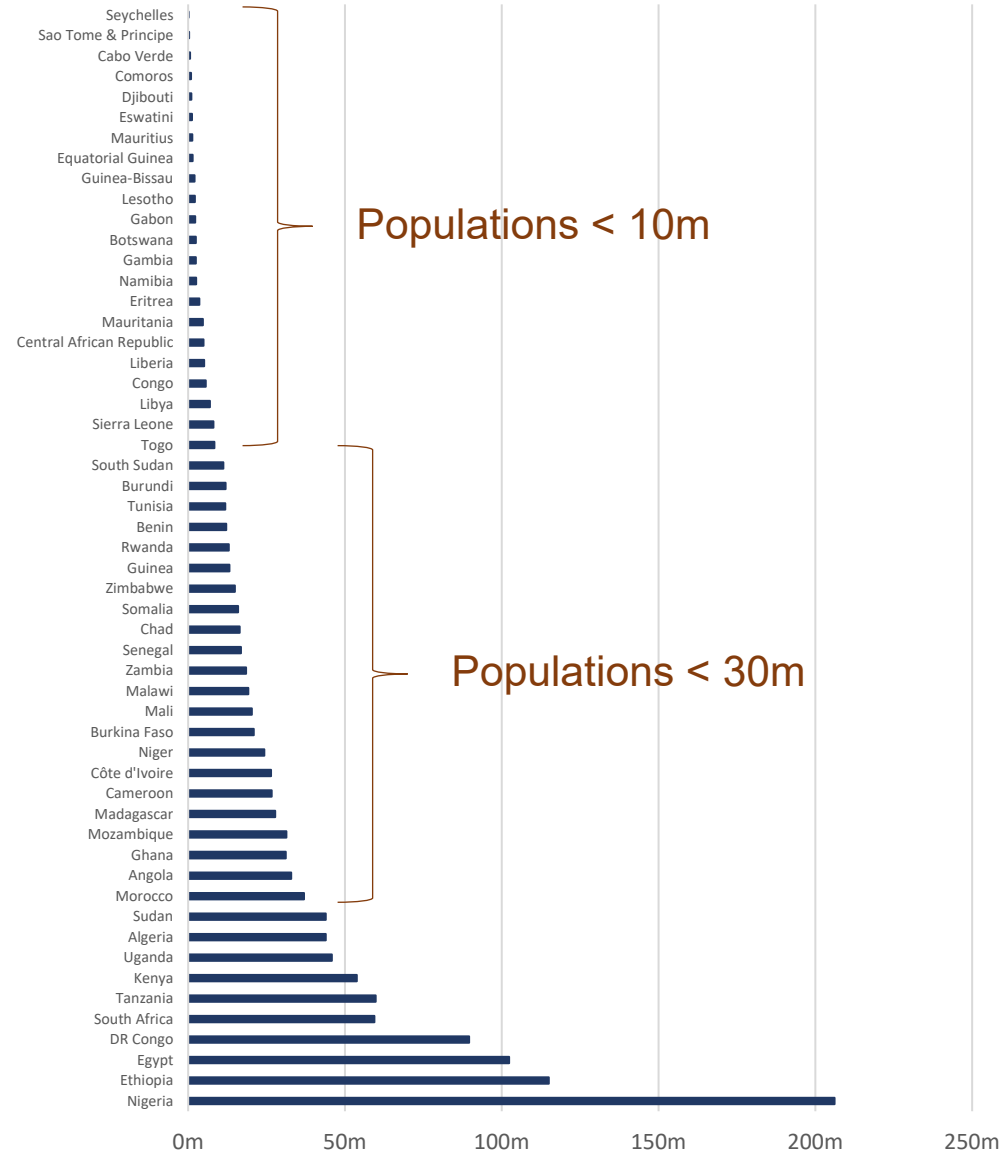


Note: Bubble size designates revenue pool.
Source: Based on data from S&P Capital IQ.

Trade: The African Continental Free Trade Area (AfCFTA)

- Africa is a big market, fragmented into small pieces
- 22 African countries have populations under 10m
- Trade is frustrated by 107 unique land borders between 54 states
- Rules diverge across: regulatory standards, competition, investment intellectual property rights, services – making the scaling of business across borders difficult
- AfCFTA consolidates Africa into \$2.3 trillion market of 1.3bn people
- Creates: market opportunities, scale economies, improved competition, lower business costs

African countries by population: 2020 estimates

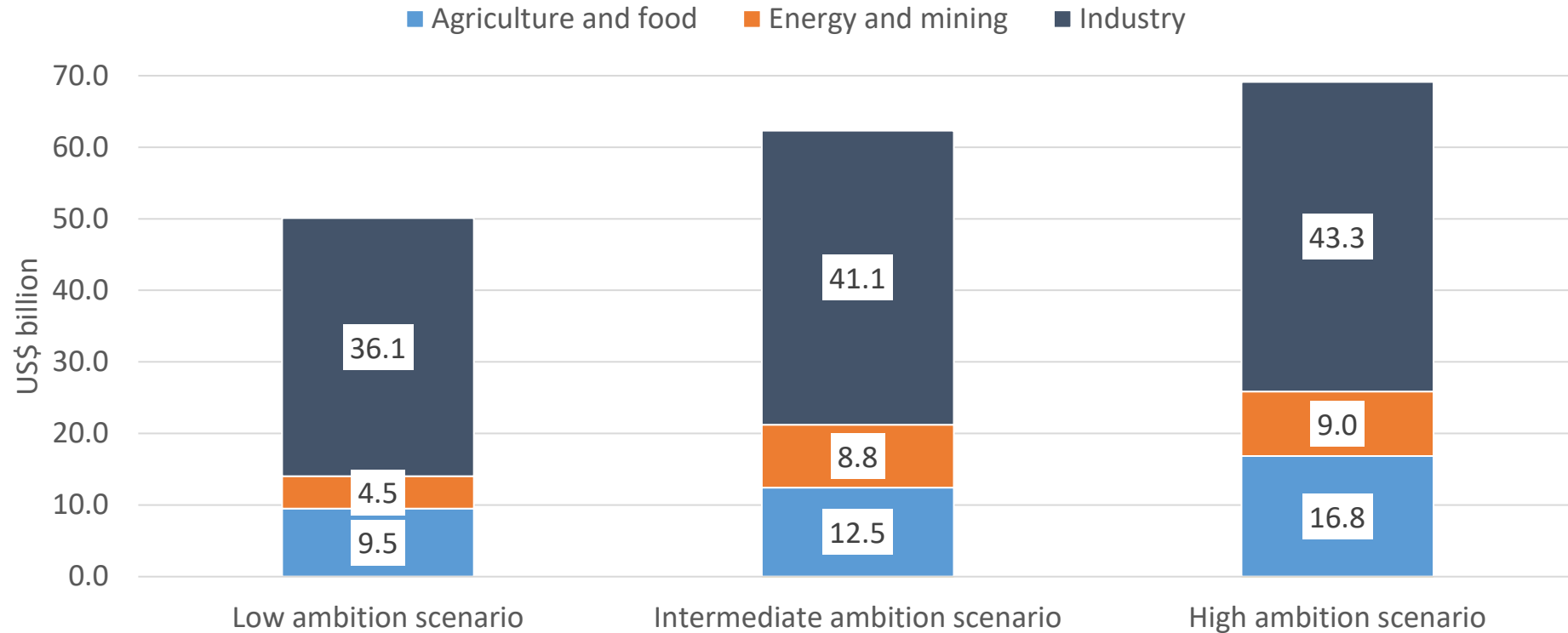


Populations < 10m

Populations < 30m

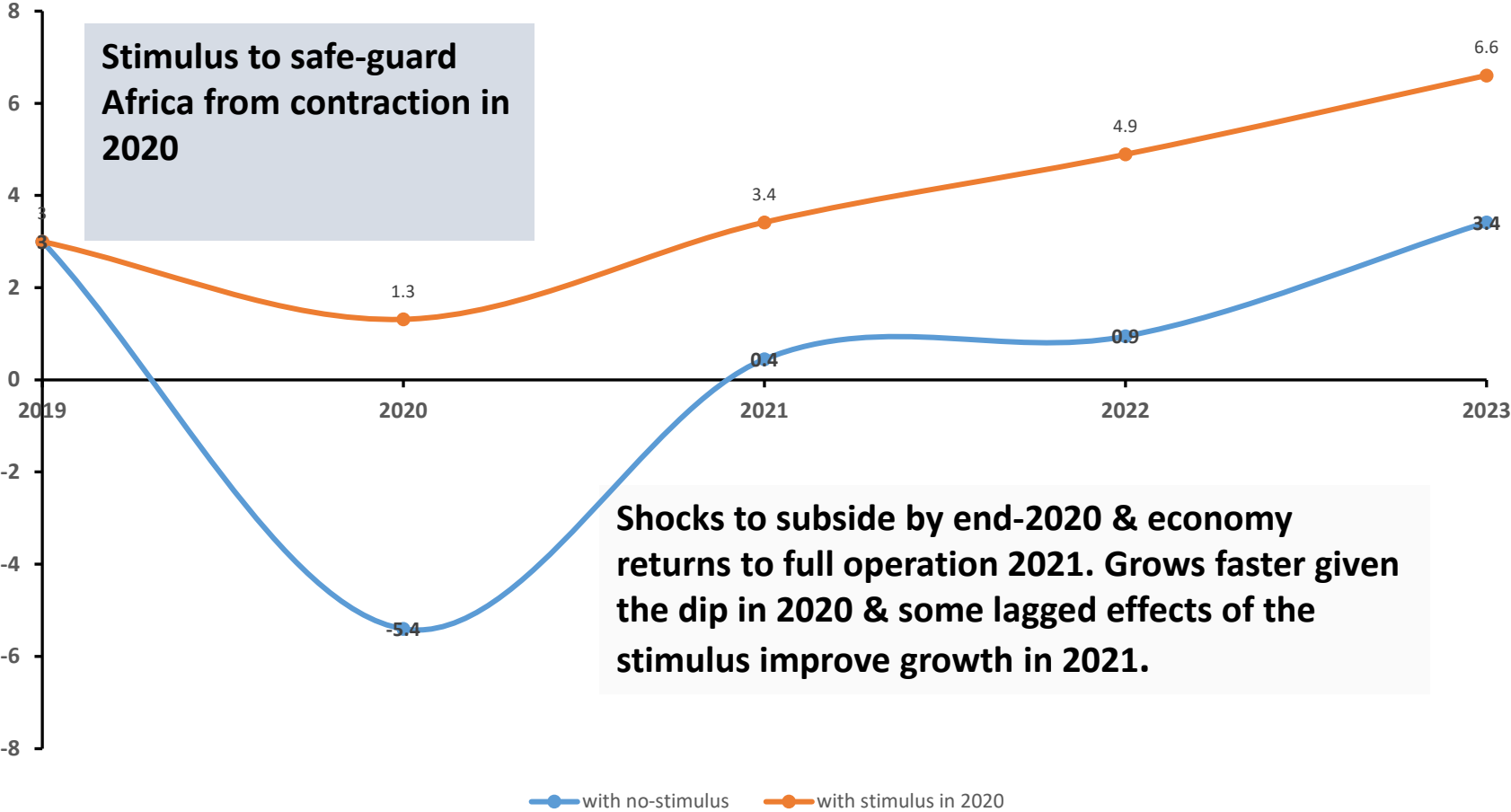
Expected AfCFTA impact

Change in intra-African exports by main sectors, as compared to the baseline without AfCFTA in place - 2040 - US\$ bn (various scenarios)

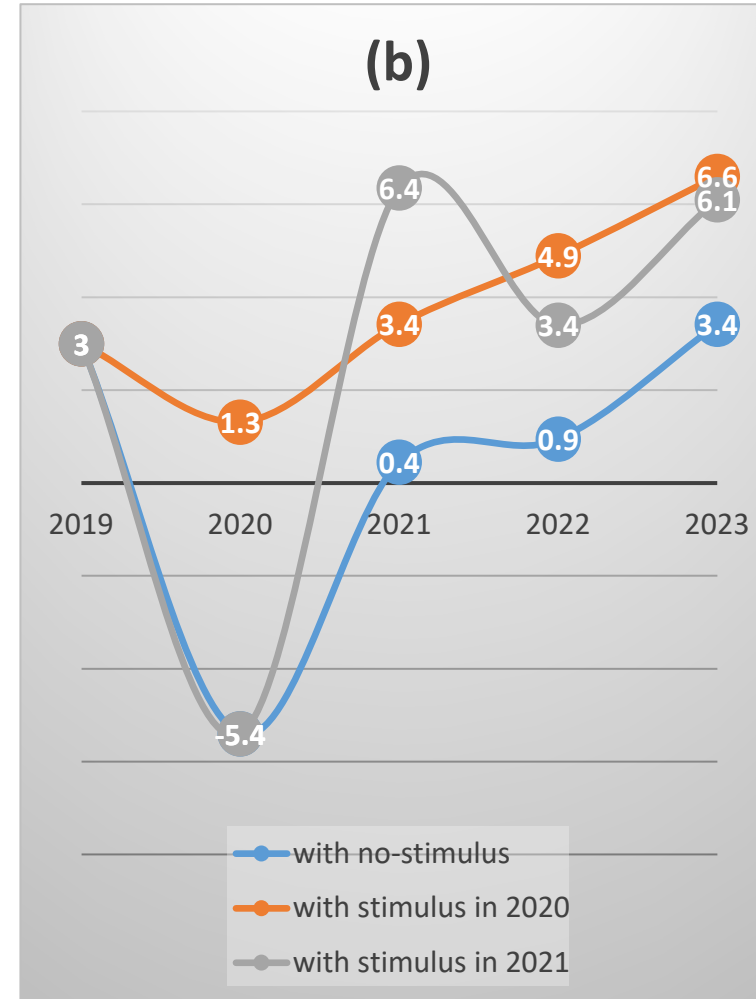
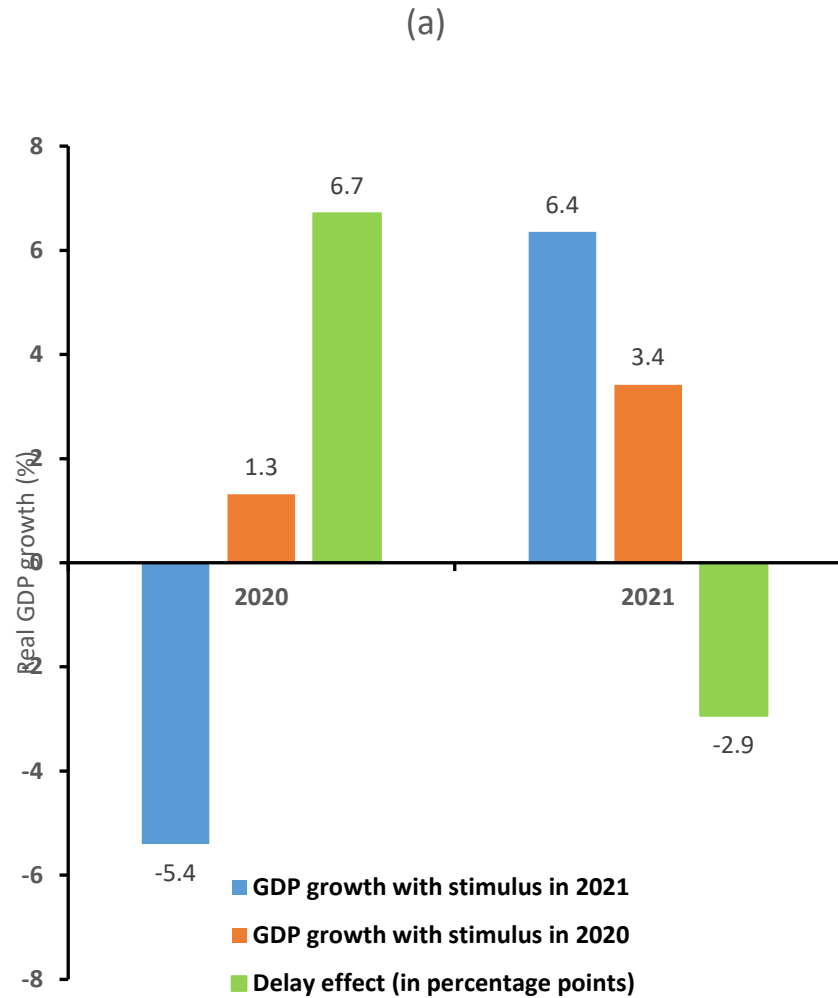


- Intra-African exports would increase the most for industrial products; with gains ranging between around 25 per cent (or US\$ 36.1 billion) and almost 30 per cent (or US\$ 43.3 billion) under low ambition scenario and high ambition scenario
- Largest increases in exports of vehicles and transport equipment, energy, metals, machinery, chemical products, sugar, other food products, wood and paper, and textiles

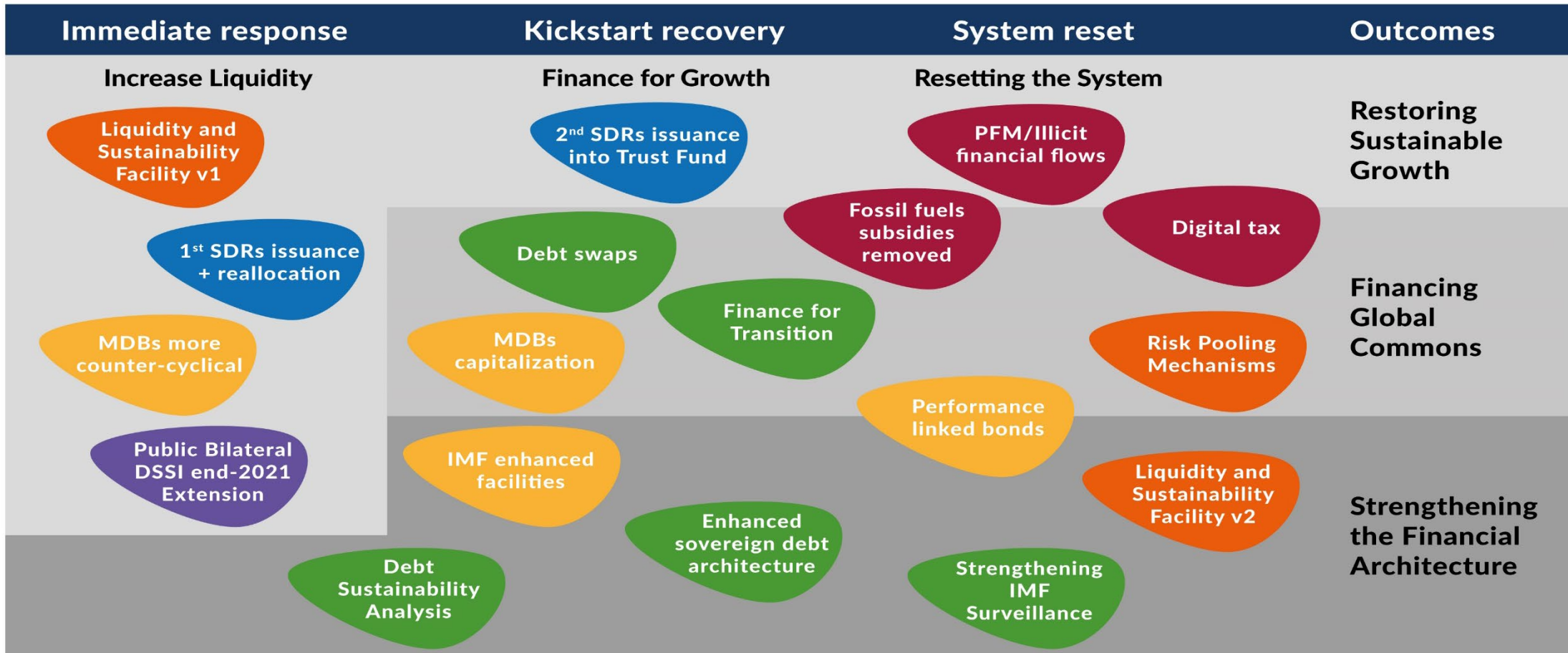
Liquidity injections are needed: A \$100bn stimulus will speed the recovery



Timing is critical: Delaying the stimulus could cost a net of 3.8 per cent in GDP loss in 2020 & 2021



From Response, Recovery to Re-set



-  Liquidity facility, risk sharing mechanism proposals
-  IFIs related proposals
-  SDRs related proposal
-  Revenue related proposals
-  Debt stock and governance issues related proposals
-  Debt suspension proposal



Ideas
to
Action