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

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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

Current regional AR of 24.3/100,000 population

Mean attack rate: 356.24
Standard deviation: 590.46 for 100 000 population

Last 4 weeks
GDP Growth – Falling across the board

Annual GDP Growth (Current U.S. Prices)

Source: IMF, WEO, October 2020
General Government Revenue, 2019–2020  
(Percent of GDP)
Government Debt – The 60 percent bar surpassed

**General Government Gross Debt (Percent of GDP)**

### Low Income Economies

Source: IMF, Fiscal Monitor, October 2020

### Emerging and Middle-Income Economies
Inflation: Increasing hence more social pressure

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 (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Interest Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>9.5</td>
</tr>
<tr>
<td>Zambia</td>
<td>8.5</td>
</tr>
<tr>
<td>Ghana</td>
<td>7.875</td>
</tr>
<tr>
<td>Kenya</td>
<td>7.25</td>
</tr>
<tr>
<td>Nigeria</td>
<td>6.5</td>
</tr>
<tr>
<td>Senegal</td>
<td>6.25</td>
</tr>
<tr>
<td>Egypt</td>
<td>5.875</td>
</tr>
<tr>
<td>Tunisia</td>
<td>5.75</td>
</tr>
<tr>
<td>South Africa</td>
<td>4.85</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>67.08</td>
</tr>
<tr>
<td>2016</td>
<td>69.78</td>
</tr>
<tr>
<td>2017</td>
<td>70.30</td>
</tr>
<tr>
<td>2018</td>
<td>67.94</td>
</tr>
<tr>
<td>2019</td>
<td>70.93</td>
</tr>
</tbody>
</table>

Source: Bond E Value, October 2020

Source: World Bank; ECA calculations
The external debt stock more than doubled in the last decade

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

<table>
<thead>
<tr>
<th>In 2019, remittance flows were five times higher than foreign aid ($714 billion vs $153 billion)</th>
<th>78% The global share of remittance flows to low- and middle-income countries</th>
<th>3% Remittances as a share of African GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>8% The average cost of sending money to Africa</td>
<td>14% The average cost of sending money from Africa</td>
<td>3% The Sustainable Development Goal 10 target for remittance fees.</td>
</tr>
<tr>
<td>$20 billion The annual remittance surplus if remittance fees averaged 3% globally</td>
<td>-21% Expected impact of the COVID-19 pandemic on remittance flows to Africa in 2020</td>
<td>In Nigeria, remittances are equivalent to the size of the country’s federal government budget</td>
</tr>
</tbody>
</table>

In Nigeria, remittances are equivalent to the size of the country’s federal government budget.
FDI Flows to Africa (Millions of USD)

### 2019

- **Guinea-Bissau**: 72
- **Mali**: 869
- **Rwanda**: 884
- **Niger**: 717
- **South Africa**: 1,266
- **Mauritius**: 840
- **Côte d'Ivoire**: 471
- **Egypt**: 9,010
- **Zambia**: 548
- **Uganda**: 1,126
- **Sudan**: 945
- **Cabo Verde**: 104
- **Algeria**: 1,382
- **Seychelles**: 118
- **Liberia**: 138
- **Nigeria**: 3,299
- **Botswana**: 261
- **Benin**: 210
- **Tunisia**: 845
- **Ethiopia**: 2,549
- **Lesotho**: 118
- **Burkina Faso**: 363
- **Mozambique**: 2,181
- **Congo, Democratic Republic**: 1,478
- **Sierra Leone**: 360
- **Mauritania**: 885
- **Chad**: 567
- **Morocco**: 1,559
- **Malawi**: 96
- **Somalia**: 147
- **Gambia**: 44
- **Djibouti**: 182
- **Eritrea**: 67
- **Gabon**: 452
- **Equatorial Guinea**: 256
- **Central African Republic**: 20
- **Senegal**: 1,065
- **Togo**: 949
- **Burundi**: 1

### 2020*

- **Guinea-Bissau**: 20
- **Mali**: 307
- **Rwanda**: 174
- **Niger**: 367
- **South Africa**: 2,506
- **Mauritius**: 513
- **Côte d'Ivoire**: 333
- **Egypt**: 1,028
- **Zambia**: 631
- **Uganda**: 73
- **Sudan**: 986
- **Cabo Verde**: 85
- **Algeria**: 103
- **Seychelles**: 206
- **Liberia**: 176
- **Nigeria**: 684
- **Botswana**: 102
- **Benin**: 149
- **Tunisia**: 349
- **Ethiopia**: 558
- **Lesotho**: 467
- **Burkina Faso**: 99
- **Mozambique**: 1,387
- **Congo, Democratic Republic**: 2,045
- **Sierra Leone**: 1,591
- **Mauritania**: 464
- **Chad**: 46
- **Morocco**: 191
- **Malawi**: 74
- **Somalia**: 520
- **Gambia**: 35
- **Djibouti**: 639
- **Eritrea**: 5
- **Gabon**: 5
- **Equatorial Guinea**: 855
- **Central African Republic**: 1
- **Senegal**: 0
- **Togo**: 0
- **Burundi**: 0

### Percent Change

- **Guinea-Bissau**: -71.5%
- **Mali**: -64.9%
- **Rwanda**: -54.7%
- **Niger**: -40.0%
- **South Africa**: -39.6%
- **Mauritius**: -39.3%
- **Côte d'Ivoire**: -36.2%
- **Egypt**: -29.7%
- **Zambia**: -28.6%
- **Uganda**: -27.9%
- **Sudan**: -25.3%
- **Cabo Verde**: -21.3%
- **Algeria**: -21.1%
- **Seychelles**: -19.4%
- **Liberia**: -19.0%
- **Nigeria**: -17.1%
- **Botswana**: -13.3%
- **Benin**: -6.2%
- **Tunisia**: -6.2%
- **Ethiopia**: -5.2%
- **Lesotho**: -2.1%
- **Burkina Faso**: -1.6%
- **Mozambique**: -0.5%
- **Congo, Democratic Republic**: 0.8%
- **Sierra Leone**: 2.8%
- **Mauritania**: 4.1%
- **Chad**: 5.0%
- **Morocco**: 10.0%
- **Malawi**: 10.5%
- **Somalia**: 17.2%
- **Gambia**: 35.7%
- **Djibouti**: 39.0%
- **Eritrea**: 85.0%
- **Gabon**: 340.7%

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*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
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

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

-63% Accommodation and food service activities
-45% Construction
-45% Manufacturing
-42% Wholesale and retail trade
-38% Education
-33% Others services
-30% Mining and quarrying
-29% Real estate and business administrative activities
-27% Financial and insurance activities
-25% Transport, storage and communications
-24% Agriculture, hunting, forestry, fishing
-23% Utilities (electricity, gas and water supply)
-19% Public administration, defense and other compulsory services
-15% Human health and social work activities
-10% Education
0% Others services
25% Public administration, defense and other compulsory services

While public administration... and health work subsectors register an increase in economic activities
Responses to the Challenges Posed by the Pandemic
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).

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

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<thead>
<tr>
<th></th>
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<td>0.2</td>
<td>25.9</td>
<td>14</td>
<td>Madagascar</td>
<td>0.3</td>
<td>35.5</td>
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<tr>
<td>3</td>
<td>Cabo Verde</td>
<td>0.9</td>
<td>18</td>
<td>15</td>
<td>Mali</td>
<td>0.5</td>
<td>82.5</td>
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<td>Cameroon</td>
<td>0.9</td>
<td>337.3</td>
<td>16</td>
<td>Mauritania</td>
<td>1.2</td>
<td>90.8</td>
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<tr>
<td>5</td>
<td>Chad</td>
<td>0.6</td>
<td>65.4</td>
<td>17</td>
<td>Mozambique</td>
<td>1.9</td>
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<td>6</td>
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<td>0.2</td>
<td>2.3</td>
<td>18</td>
<td>Niger</td>
<td>0.2</td>
<td>26</td>
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<td>7</td>
<td>Congo Dem. Rep</td>
<td>0.3</td>
<td>156.3</td>
<td>19</td>
<td>Sao Tome and Principe</td>
<td>0.4</td>
<td>1.7</td>
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<tr>
<td>8</td>
<td>Congo Rep</td>
<td>1.4</td>
<td>181.8</td>
<td>20</td>
<td>Senegal</td>
<td>0.6</td>
<td>139.2</td>
</tr>
<tr>
<td>9</td>
<td>Cote d'Ivoire</td>
<td>0.4</td>
<td>225.3</td>
<td>21</td>
<td>Sierra Leone</td>
<td>0.2</td>
<td>8.1</td>
</tr>
<tr>
<td>10</td>
<td>Djibouti</td>
<td>1.7</td>
<td>56.8</td>
<td>22</td>
<td>Tanzania</td>
<td>0.2</td>
<td>138.9</td>
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<td>11</td>
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<tr>
<td>12</td>
<td>Guinea</td>
<td>1.1</td>
<td>147.9</td>
<td>24</td>
<td>Zambia</td>
<td>0.7</td>
<td>165.4</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>25</td>
<td>Kenya</td>
<td>0.7</td>
<td>630.80</td>
</tr>
</tbody>
</table>

Grand Total: USD 5,119.9

Source: World Bank; ECA calculations
African countries have limited domestic resources, and rely heavily on bilateral and multilateral institutions (notably Bretton Woods, UN, Government, Private sector)

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.
• 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 $2.3 trillion market of 1.3bn people
• Creates: market opportunities, scale economies, improved competition, lower business costs
Intra-African exports would increase the most for industrial products; with gains ranging between around 25 per cent (or US$ 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.

(a) Real GDP growth (%)

- GDP growth with stimulus in 2021
- GDP growth with stimulus in 2020
- Delay effect (in percentage points)

(b) GDP growth with and without stimulus

- with no-stimulus
- with stimulus in 2020
- with stimulus in 2021
From Response, Recovery to Re-set

**Immediate response**
- Increase Liquidity
  - Liquidity and Sustainability Facility v1
  - 1st SDRs issuance + reallocation
  - MDBs more counter-cyclical
  - Public Bilateral DSSI end-2021 Extension

**Kickstart recovery**
- Finance for Growth
  - 2nd SDRs issuance into Trust Fund
  - Debt swaps
  - MDBs capitalization
  - IMF enhanced facilities

**System reset**
- Resettting the System
  - Fossil fuels subsidies removed
  - Performance linked bonds
  - Enhanced sovereign debt architecture
  - Strengthening IMF Surveillance

**Outcomes**
- Restoring Sustainable Growth
  - Digital tax

- Financing Global Commons
  - Risk Pooling Mechanisms

- Strengthening the Financial Architecture
  - Liquidity and Sustainability Facility v2

Legend:
- Orange: Liquidity facility, risk sharing mechanism proposals
- Yellow: IFIs related proposals
- Green: Debt stock and governance issues related proposals
- Blue: SDRs related proposal
- Purple: Debt suspension proposal

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