United Nations
Economic Commission for Africa

Financing the response and Recovery to COVID in Africa and achieving the SDGs

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- **Socioecnomic effects of COVID in Africa and related financing needs**

COVID is imposing various shocks

Direct shock	*Poverty impact*	*Fiscal risk*	*Ripple shock*
▪ Slowdown in growth from 3.2 percent to 1.8% in an optimistic scenario and as low as -2.6 per cent otherwise. ▪ Additional social safety net and economic lockdown costs	▪ 5-29 million pushed into extreme poverty ▪ 19 million jobs lost ▪ Vulnerable employment up at least 10 percent ▪ 17 percent of households affected by COVID-19 face at least transient poverty ▪ Women affected by the socio-economic costs of the disease	▪ High initial debt levels and fiscal deficits from 2019 ▪ Increasing borrowing costs ▪ Depreciating African currencies ▪ Falling tax revenues and big tax payers hit hard ▪ African youth will not forgive misappropriation of COVID-19 funds	▪ Plummeting commodity prices ▪ Export sector job losses ▪ Travel and tourism standstill ▪ Falling remittances

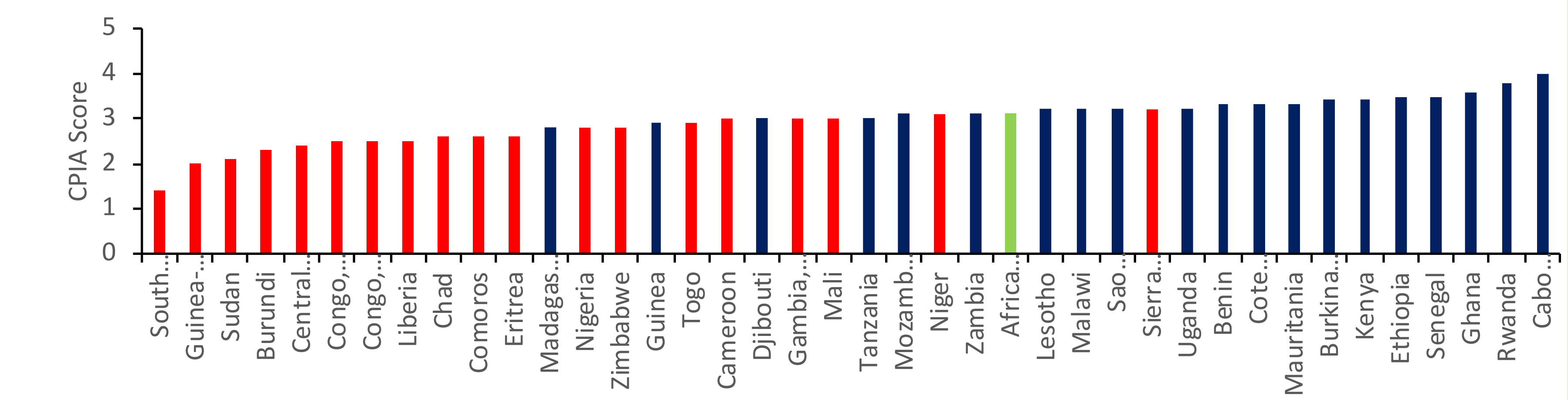
Financing Africa's response

- **Secure $100 billion African health and social safety net fund**:
  - for the most vulnerable, including feeding for out of school children and unemployment support, and;
  - to procure through WHO and CDC Africa the materials needed to save lives, share and promote research, provide vaccines, manufacture health equipment and share emergency services
- **Secure $100 billion for Africa's economic stimulus**:
  - Support African businesses through allowing for the **suspension of leasing, debt and other repayments** and airlines and the future of tourism;
  - Grant tax breaks to protect from collapsing firms that keep jobs, maintain activity and that can earn export revenues in the recovery;
- **Complete temporary debt standstill for two years** for all African countries, low and middle income included: debt servicing pressures unsustainable
- **Raise IMF Special Drawing Rights allocations** to provide additional liquidity for procurement of fuels, foods, and support to the economy
- **Double access to the IMF Emergency Financing Facility; Accelerate disbursement of budget support through fast disbursement facilities**, including the Crisis Response Window, the Global Pandemic Window and reprogramming of regular programmes at World Bank Group and others

Financing Africa’s response

- **Prioritizing the utilization of the resources mobilized for the response (economic stimulus)**
    - Prioritize its investment into climate conscious and digitalization projects;
- **Good governance must prevail in the utilization of the funds**
- African governments must ensure proper use of any COVID-19 financial assistance, debt forgiveness or extra borrowing – in recent years African countries have come under the spotlight for public finance management matters. Scores on CPIA are relatively low.

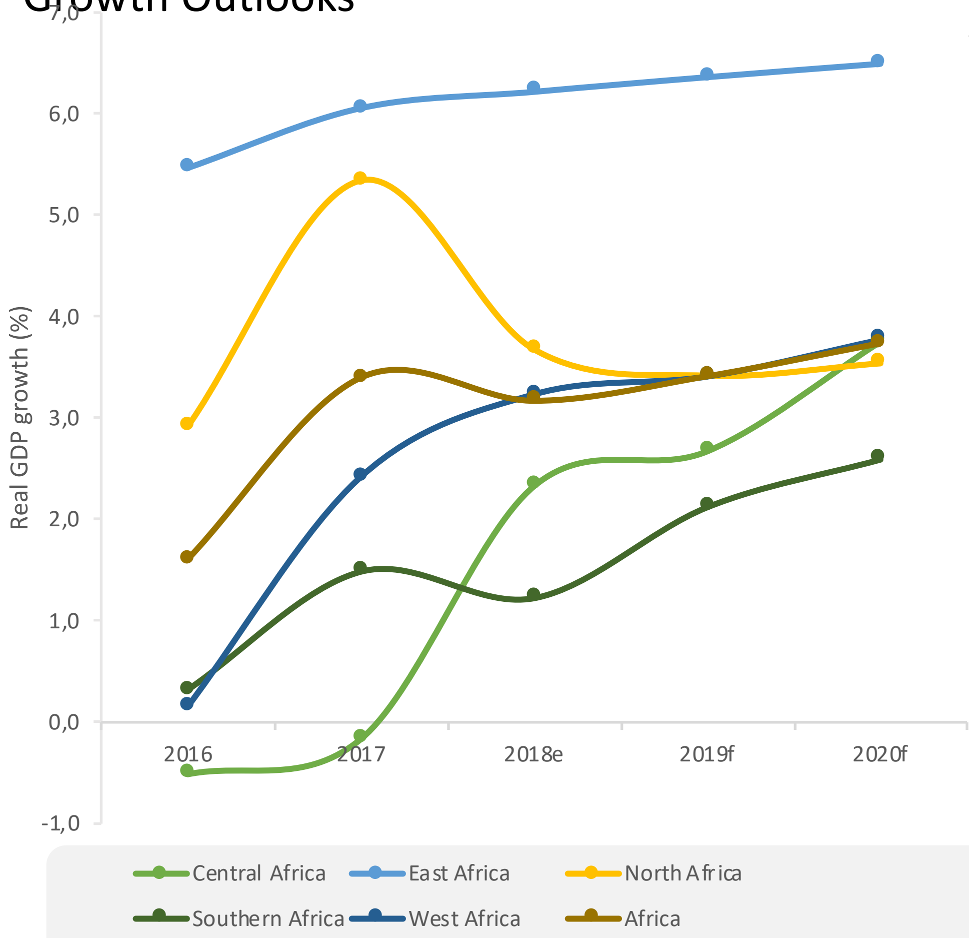
Graph: Average country policy and institutional assessment score in the public sector management and institutions cluster, 2018 (CPIA)



- **PRE-COVID Situation and Prospects for Achieving the SDGs**

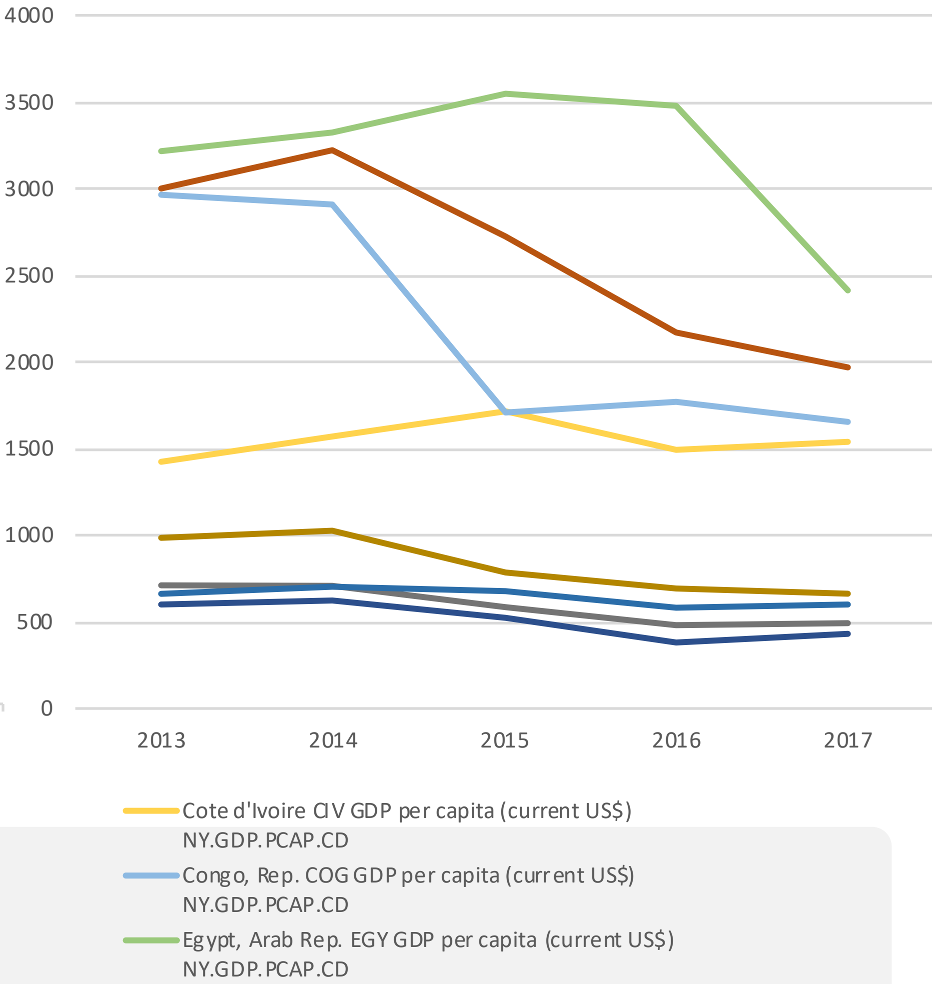
before COVID GDP was showing positive trends while GDP per capita was stagnating and even falling in some cases

GDP growth in Africa before COVID: Growth Outlooks



Source: Index Mundi, 2020 (www.indexmundi.com)

Actual and estimates of GDP per capita in some select countries before COVID



Source: Based on data from UNCTAD Stat

Pre-COVID SDGs Financing needs vs Domestic financing Means

Estimated financing gaps

SDGs:
USD 614-638 Billion annually

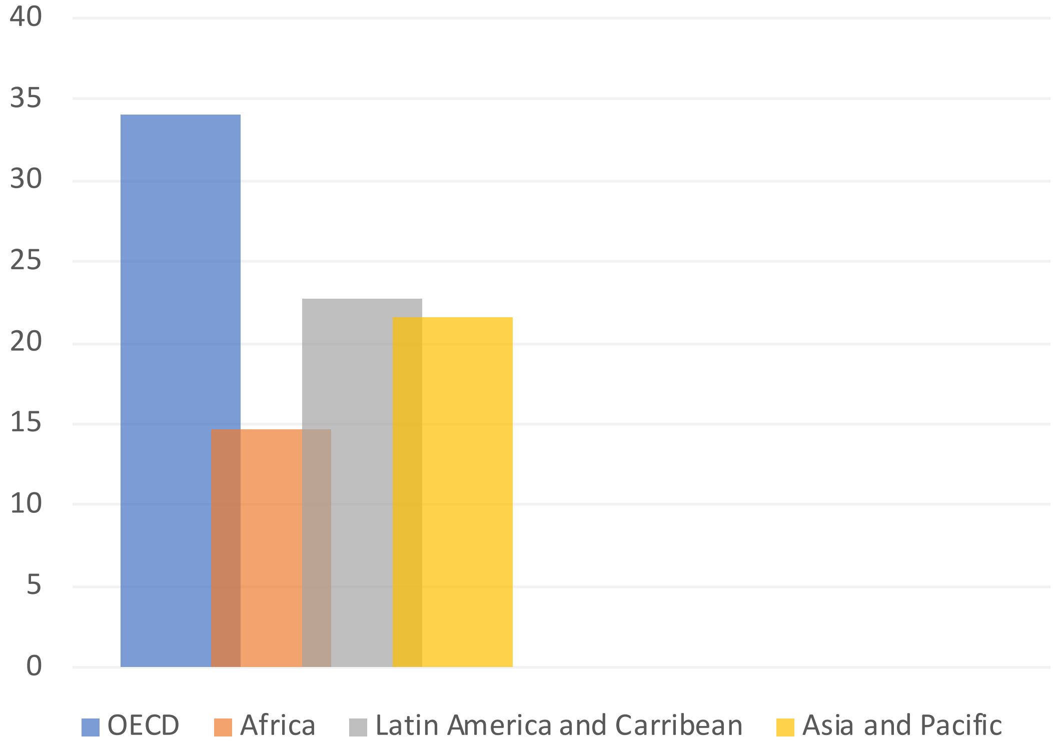
Infrastructure:
USD 130-170 Billion annually

Healthcare financing:
USD 66 Billion annually

SMEs Financing:
Euro **385 et 435 Billion annually**

Source: Index Mundi, 2020 (www.indexmundi.com)

Tax-to-GDP ratios across Regions



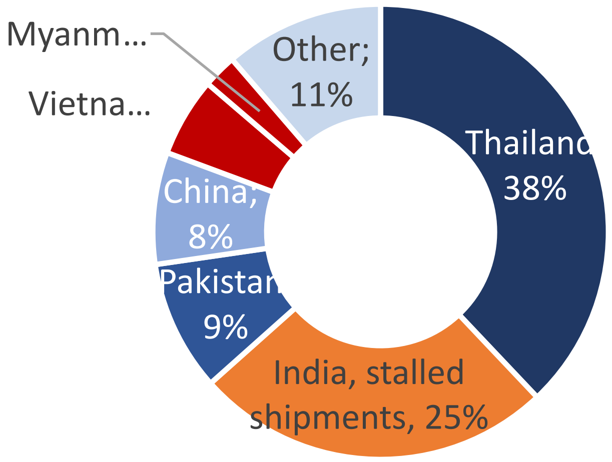
Source: OECD and ECA data

Source: Based on data from UNCTAD Stat

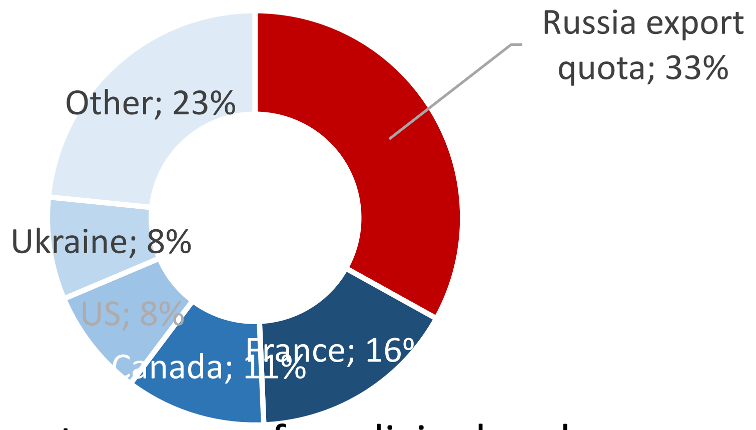
- **Learn from COVID crisis - Build back better and mobilize to achieve the SDGs in the decade of action**

Prioritizing after COVID: Turn vulnerabilities into opportunities
High dependence on imports of essential food, medical and pharmaceutical items to be address by enhancing local production and supporting AfCFTA implementation

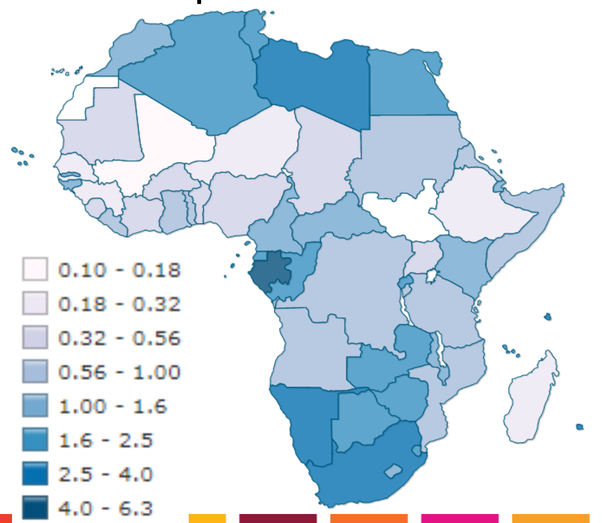
Africa’s rice imports, by origin, average 2016-18



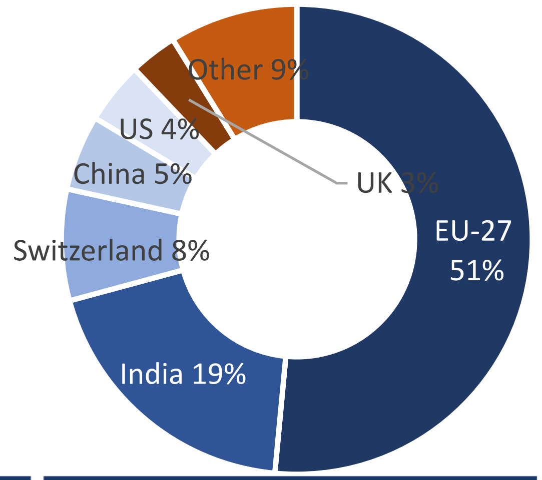
Africa’s wheat imports, by origin, average 2016-18



1.8 hospital beds per 1000 people on average vs. 5.98 per 1000 in France

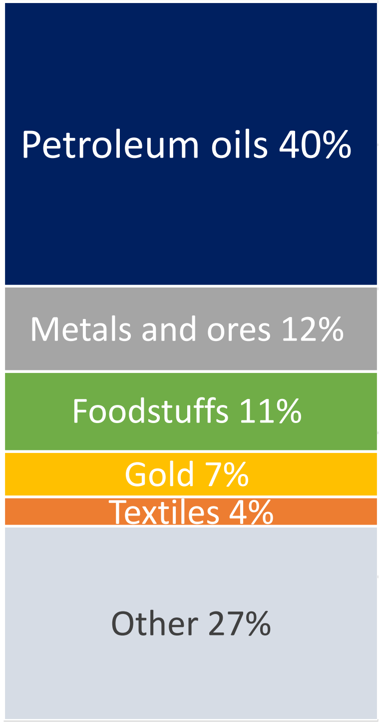


Africa’s import sources of medicinal and pharmaceutical products (2016–2018)

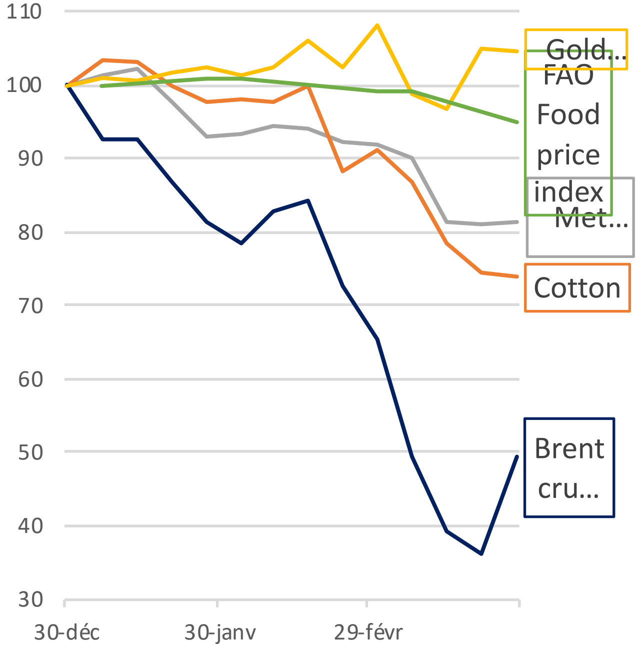


Prioritizing after COVID: Turn Vulnerabilities into opportunities
High dependence on exports of commodities to be address by enhancing local transformation and supporting AfCFTA implementation

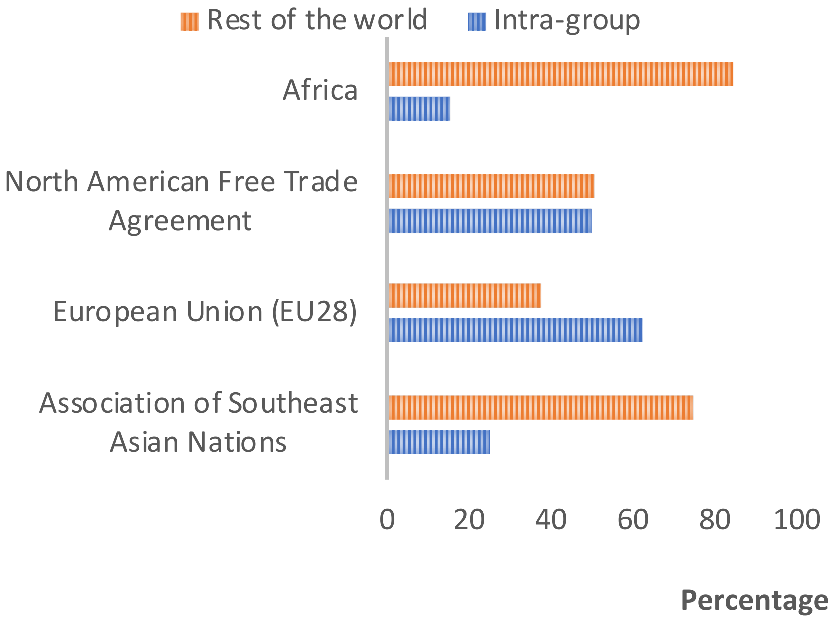
Composition of Africa's total exports



commodity prices in 2020



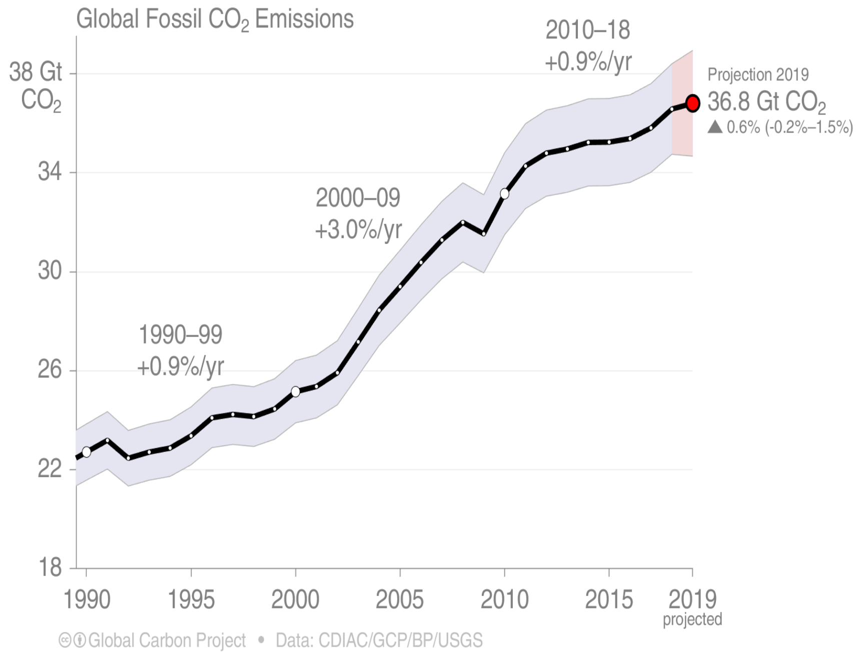
Trade: Intra- and extra-group merchandise (%, average 2012-2016)



Source: Based on ITC TradeMap Data (2016-18 average) and FAO and Trading Economics, April 2020

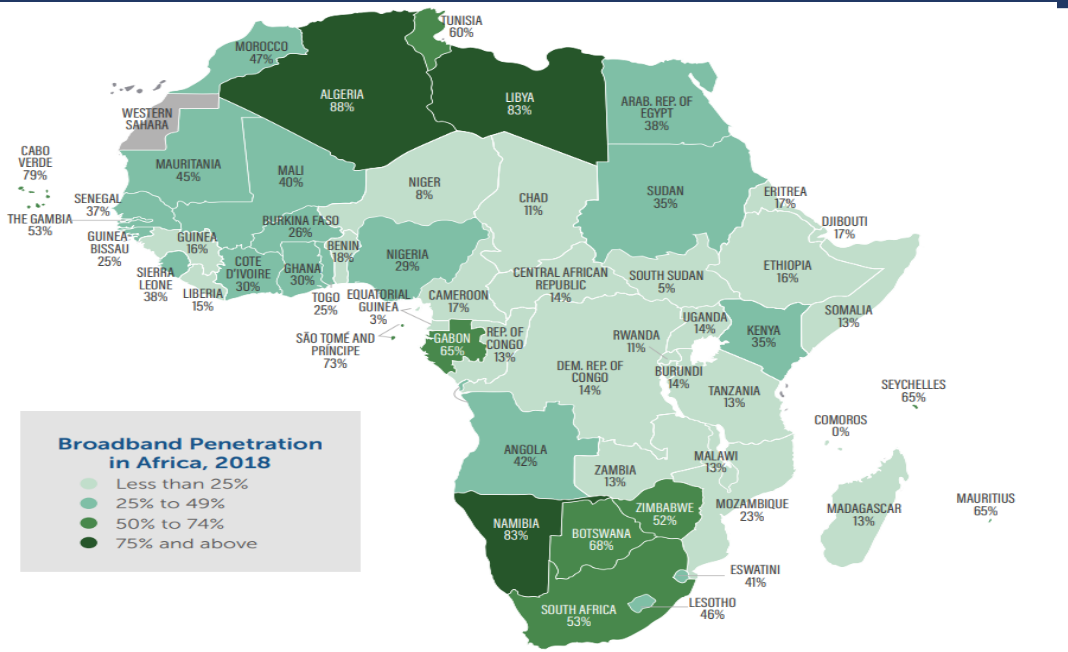
- As the severity of COVID-19 emerged through Feb-Mar, commodity prices plummeted for more than 67% of Africa's exports
- Brent crude down 50%, Cotton (proxy for textiles) down 26%, metals down 20%, average food prices down 5%, only gold – a safe haven investment – is up 5%

Weathering the storm and Achieving the SDGs : ICT and Climate change



- Emissions have fallen sharply from COVID-19 slowdown, but 2008 financial crisis experience shows **emissions will likely bounce back fast**
- Need to **bounce back with a climate conscience** – prioritize fiscal stimulus spending on green growth projects

Source: Global Carbon Project



- Limited capacity to deploy ICT to track affected persons e.g., contact tracing using BIG Data
- Lack of digital IDs prevents to channel resources to the vulnerable
- Coping: Limited access to ICT equipment and unreliable energy hampers e-learning; remote working and e-health options
- Special initiative can leverage ICT:
  - Fintech to provide financial payment services (reduce money as spread vector

Source: World Bank, 2019

- **How to make front to overcome funding challenges**

Ongoing Resource mobilization efforts

- **African HoS and MoF: Special Envoys of the AU**
  - Four Eminent Personalities and Finance experts designated to support resource mobilization for Response and Recovery Plans. They are working on :
  - Debt standtill from Multilateral, Bilateral and Private creditors;
  - SDRs for more liquidity and Foreign Currencies
- **The creditors have dedicated platforms to support their respective committments**
  - G-20 (Ministers of Finance and CB Governors)
  - Private creditors : African working Group
  - IMF-WB

Beyond COVID - mobilization efforts to achieve the SDGs

- **Support to Domestic Resource mobilization,**
  - DRM was low before COVID and not better now.
- **Curbing Illicit Financial Flows**
  - IFFs is costly and could contribute to Financing the SDGs in Africa
- **Promote good governance**
  - optimal spending of resources mobilized
  - Ensure debt sustainability; avoiding Default on Debt payments; to ensure continued access to Financial Markets
- **Traditional and non traditional Sources of Financing the SDGs**
- ODAs, FDIs, Remittances; PPPs, Development and Investment banks; capital markets; Debt; Sovereign funds; etc
- FINTECH
- Blue Bonds, Green Bonds, SDGs Bonds?
- **Enhancing partnership / Enhancing Intra-regional trade**

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THANK YOU!