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Item 3 of the provisional agenda**
Overview of recent economic and social developments in Africa in the context of the COVID-19 pandemic

Recent economic and social developments in Africa

1. After severe acute respiratory syndrome (SARS), coronavirus disease (COVID-19) is the second most deadly infectious disease to have affected the world since the beginning of the twenty-first century. The COVID-19 pandemic has had a significant negative impact on the global economy and has disrupted global supply chains, exacerbated volatility in global financial markets and changed both the communications and business landscapes. The pandemic continues to have a severe impact on employment, investment, spending on health care and revenue collection. It may, moreover, lead to unsustainable debt and inflationary pressures due to supply side shortages, and to demand side shocks as a result of declining oil prices, tourism receipts and remittances.

I. Economic performance

Real gross domestic product (GDP) growth remains subdued despite a recovery in the second half of 2020

2. The global economy witnessed a better than expected recovery in the third quarter of 2020, despite the ongoing negative impact of the pandemic. The International Monetary Fund (IMF) revised its forecast of global GDP growth upwards from -4.9 in June 2020 to -4.4 per cent in October 2020.[1] The announced launch of several COVID-19 vaccines has bolstered optimism that the global economy will soon recover, and that the COVID-19 crisis may be coming to an end.

3. Despite that optimism, ECA still estimates that African GDP contracted by between -1.8 per cent and -5.4 per cent in 2020 (see figure 1). That contraction was due to the downside risks associated with the second wave of infections, particularly in developed economies, lower commodity prices and significant local constraints,

* Re-issued for technical reasons on 5 February 2021.

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[1] International Monetary Fund (IMF), "World Economic Outlook Update: A Crisis Like No Other, An Uncertain Recovery", (Washington, D.C., June 2020). Available at: www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020 ; IMF, "World Economic Outlook: A Long and Difficult Ascent", (Washington, D.C., October 2020). Available at: www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020

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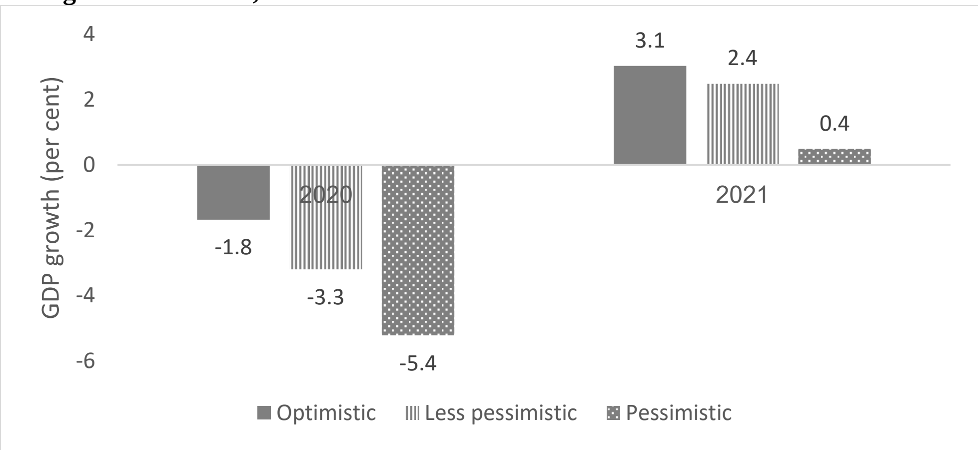
such as fiscal risks and ongoing conflicts. With governments facing substantial pressure on both revenue and expenditure, there are many more African economies in debt distress. Furthermore, the number of conflicts increased by some 90 per cent in the fourth quarter of 2020, compared to the fourth quarter in 2019, further disrupting economic activity.[2]

Figure I
GDP growth in Africa, 2020–2021



Source: ECA estimates, 2020.

4. Despite the gradual improvement in growth across Africa in the fourth quarter of 2020, stemming from a relaxation of pandemic-related restrictions and the enactment of stimulus measures, the consecutive GDP contractions in the second and third quarter of 2020 pushed the continent into recession. The outlook for 2021 is positive as a result of improved economic activity in the fourth quarter of 2020, holiday spending and travel expenditure, and optimism regarding the development of several effective COVID-19 vaccines.

5. GDP in Central Africa continued to contract as a result of low commodity prices and the lingering effects of the pandemic. While the GDP of Cameroon rebounded in the fourth quarter of 2020, mainly as a result of the partial relaxation of pandemic restrictions, the GDP of Equatorial Guinea continued to contract because of lower oil prices and suppressed demand. Furthermore, the weak economic performance of that country, even prior to the COVID-19 pandemic and the country's weak fiscal and external position exacerbated the negative impact of the pandemic on GDP growth. In Gabon, following a sharp decline in economic activity in the first half of the year, GDP growth gradually picked up following the relaxation of COVID-19 restrictions. However, the rebound has been sluggish because of low commodity prices and weak global demand. Furthermore, the downside risk of a second wave due to the relaxation of containment measures cannot be discounted.

6. Growth in East Africa rebounded gradually as economic activity picked up towards the beginning of the fourth quarter of 2020 and as COVID-19 restrictions were loosened. GDP growth in Kenya rebounded from its contraction in the second quarter of 2020 due to strong growth in agriculture, information and communications technology and finance, and the recovery in manufacturing and exports. Similarly, GDP in the United Republic of Tanzania also expanded in the fourth quarter of 2020 despite the continued weak performance of the country's tourism sector. Recovery was due to improved exports, especially of gold, and improved business sentiment following the country's elections. Nevertheless, the rebound in the region could be marred by the recent conflict in Ethiopia, which seems to have impeded economic activity, both domestically and in neighboring economies, including Eritrea and Djibouti.

[2] Data on conflict events accessed from https://acleddata.com/dashboard/#/dashboard on 3 December 2020.

7. GDP growth in North Africa also rebounded gradually with the loosening of COVID-19 restrictions and an uptick in economic activity in most countries of the subregion. Economic activity slowly rebounded from a sharp contraction in the first half of the year in Algeria, which occurred, primarily, because of lower oil production and prices and weak global demand, and in Morocco, where the economy had been negatively affected by reduced exports, global value chain disruptions and a sharp deceleration in the tourism sector.

8. GDP growth in West Africa also slightly picked up following the gradual improvements in economic activities in Nigeria and Ghana. In Burkina Faso, COVID-19 affected the economy severely in the first half of the 2020, but the economy rebounded sluggishly in the second half of the year after the relaxation of pandemic-related restrictions. Lockdowns, border closures, reduced exports, and delayed public investment projects all affected household incomes and undermined business confidence, which in turn lowered domestic demand and depressing growth in Niger. The economy of Mali has struggled to recover from the effects of the pandemic and political instability: the services sector has been particularly hard hit, offsetting some improvements in the industrial sector, including gold production.

9. The GDP of Southern Africa contracted due to the weak performance of Angola, Mozambique and Zambia; while the South African economy improved gradually, particularly in the third quarter of 2020, due to the easing of the lockdown restrictions. Low oil prices had a significant impact on the economic performance of Angola and its public finances, while Zambia defaulted on its debt service obligations in November 2020. Despite indications of increased economic activity following the relaxation of COVID-19 restrictions, GDP growth in Zambia was not expected to pick up in the fourth quarter of 2020 due to the country’s limited fiscal space, uncertainties regarding access to external financing and debt restructuring challenges. In Botswana, economic activity continued to improve in the fourth quarter of 2020 due to the easing of COVID-19-related restrictions and government action to mitigate the negative effects of the pandemic, including accommodative monetary policy and fiscal stimulus measures.

Fiscal deficits have widened due to increased government expenditure to halt the spread of COVID-19

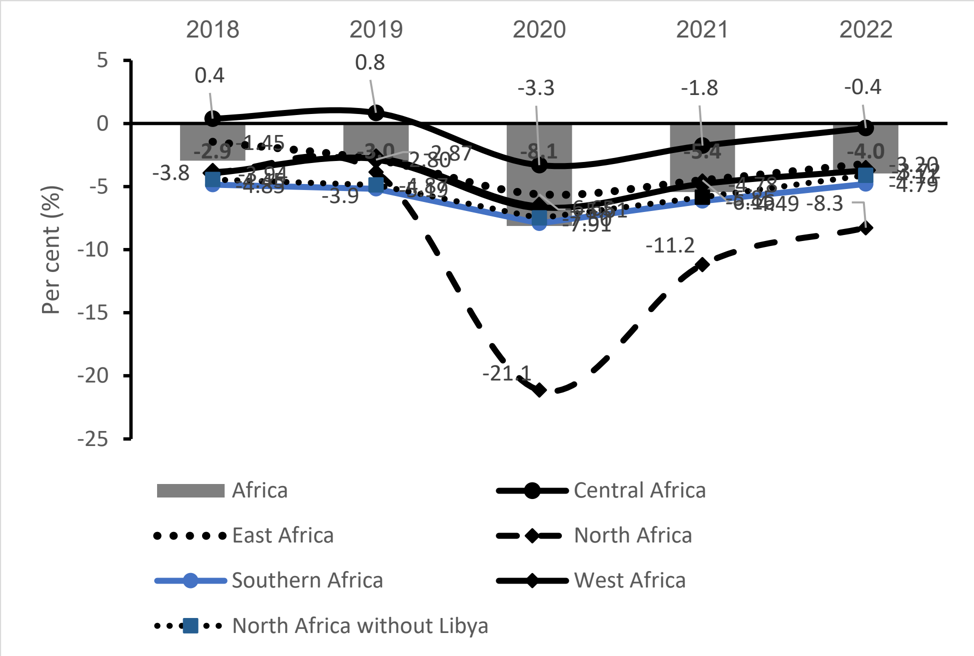
10. The ongoing pandemic continues to undermine the gains from fiscal consolidation recorded in 2018 and 2019 in many African countries. In October 2020, the IMF estimated that, on average, fiscal deficits in Africa widened from 3.0 per cent of GDP in 2019 to 8.1 per cent of GDP in 2020 as a result of increased government expenditure to curtail the spread of the virus and increased spending on health and on economic stimulus packages to support vulnerable households and businesses. In contrast, government revenue has declined in many countries due, at least in part, to the stringent measures imposed to combat the spread of COVID-19 and tax exemptions and waivers enacted by many governments to support businesses.

11. Countries whose economies depend heavily on the tourism and hospitality sectors, including Algeria, Cabo Verde, Egypt, Madagascar, Morocco, Nigeria, South Africa and Togo, have been particularly badly affected by the pandemic. Furthermore, the fall in global demand for oil and the resultant sharp fall in oil prices has intensified the fiscal deficits of oil-producing countries, including Algeria, Angola, Egypt, Equatorial Guinea, Gabon, Libya and Nigeria, limiting those countries’ fiscal space. This led to an expansion of fiscal deficits and the amendments by many countries of their national budgets for 2020.

12. As illustrated in figure II, the North Africa subregion, including Libya, recorded the largest fiscal deficit in Africa in 2020, at -21.13 per cent of GDP. If Libya is excluded, the fiscal deficit of the subregion falls to -7.5 per cent, making Southern Africa the subregion with the largest fiscal deficit in the continent, at -7.9

per cent. Central Africa recorded the lowest fiscal deficit in Africa as a result of deliberate fiscal measures to achieve fiscal consolidation in many of the countries in the subregion. The focus of fiscal policy in that subregion has been on enhancing revenue mobilization, improving expenditure prioritization and strengthening public finance management. Outside Central Africa, fiscal deficits may remain above 3 per cent of GDP in 2021 and 2022.

Figure II
Fiscal deficits in Africa by subregion (per cent of GDP), 2018–2022



Source: IMF World Economic Outlook Database, October 2020.

COVID-19 has exacerbated the debt burdens of many countries

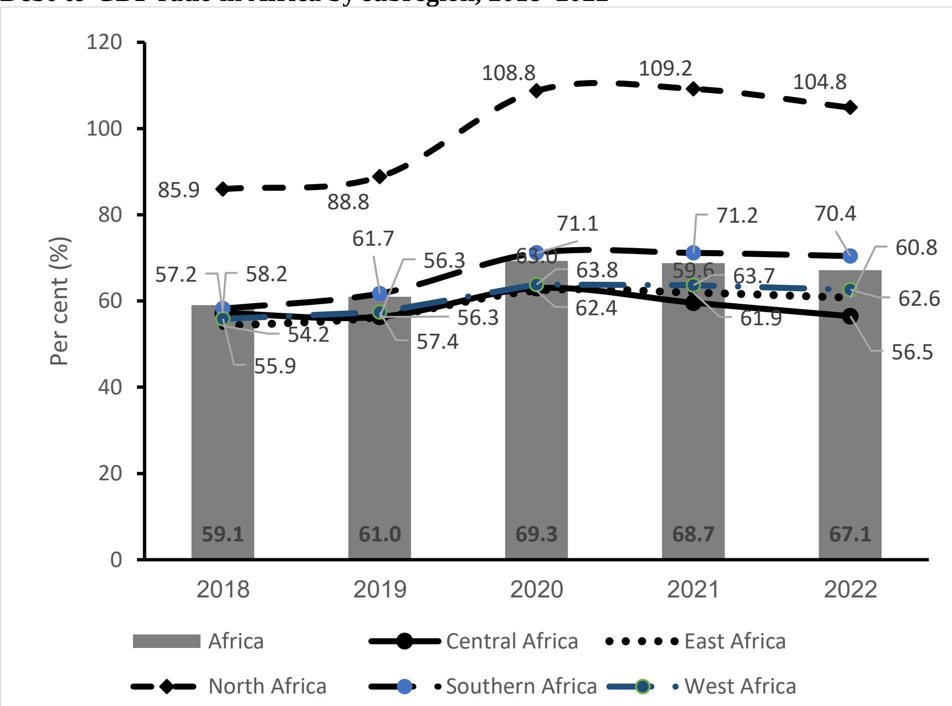
13. The high fiscal deficits recorded by many countries in Africa underscores their need to access alternative sources of finance to meet their development needs and accelerate economic recovery from the pandemic. As illustrated in figure III, the average debt-to-GDP ratio for Africa is believed to have peaked at 69.3 per cent of GDP in 2020 but is expected to decline to 65.1 per cent in 2023. North Africa has the highest debt-to-GDP ratio among the subregions, with debt increasing from approximately 88.8 per cent of GDP in 2019 to some 108.8 per cent in 2020. IMF forecasts show the debt burden increasing to 109.2 per cent of GDP in 2021 before falling to 103.4 per cent in 2023. That high debt figure is mainly driven by the high debt-to-GDP ratio of the Sudan, where debt reached 186.7 and 201.6 per cent of GDP in 2018 and 2019, respectively. If the Sudan is excluded, debt in North Africa was 71.1 per cent of GDP in 2020 but is expected to increase to 76.7 per cent in 2023, mainly due to the increasing debt burden of Algeria, whose debt-to-GDP ratio is forecast to increase from 57.2 per cent of GDP in 2020 to 83.2 per cent in 2023, primarily as a result of relatively low oil and commodity prices.

14. Central and East Africa are the subregions with the lowest debt-to-GDP ratios, which stood at an estimated 63.0 per cent and 62.4 per cent, respectively, in 2020. This is significantly lower than the African average of 69.3 per cent. The low figure for Central Africa is due, at least in part, to the low debt burdens of Cameroon, Chad and the Central African Republic, which stood at 44.7 per cent, 46.4 per cent and 46.6 per cent, respectively, in 2020. Those figures are all lower than the IMF debt sustainability threshold of 60 per cent of GDP. The relatively low debt profile of the subregion is attributed to strong revenue mobilization, limited new borrowing and

arrears clearance.[3] In East Africa, excluding Eritrea, the average debt-to-GDP ratio was estimated to have fallen to 52.1 per cent in 2020, with the fall driven, primarily, by the Comoros, the Democratic Republic of the Congo and the United Republic of Tanzania, which all recorded debt-to-GDP ratios of less than 40 per cent.

15. In Southern Africa, debt in Angola, Mozambique and Zambia was estimated to have grown from 109.2, 104.4 and 91.9 per cent of GDP in 2019, respectively, to 120.2, 121.3 and 120.0 per cent, respectively, in 2020. In the subregion's biggest economy, South Africa, the debt-to-GDP ratio is estimated to have increased from 62.2 per cent of GDP in 2019 to 78.8 per cent in 2020. In West Africa, debt is estimated to have increased from 57.4 per cent in 2019 to 63.8 per cent in 2020, mainly driven by high debt levels in countries that include Cabo Verde, Ghana, Guinea Bissau, Sierra Leone and Togo. Cabo Verde recorded the highest debt burden, which was estimated to have increased from 125.0 per cent of GDP in 2019 to 136.8 per cent in 2020. That high figure is attributed to inefficiencies in the country's large parastatal sector.[4] The debt-to-GDP ratio in the subregion's largest economy, Nigeria, was estimated to have increased from 29.1 per cent of GDP in 2019 to 35.0 per cent in 2020, and is expected to reach 35.5 per cent in 2021. The extra budgetary borrowing needed to tackle the pandemic and initiate economy recovery may exacerbate the risk of debt distress in many African countries. The Group of 20 Debt Service Suspension Initiative may provide some support, however, and may be particularly beneficial for countries with higher than average debt levels.

Figure III
Debt-to-GDP ratio in Africa by subregion, 2018–2022



Source: IMF World Economic Outlook Database, October 2020.

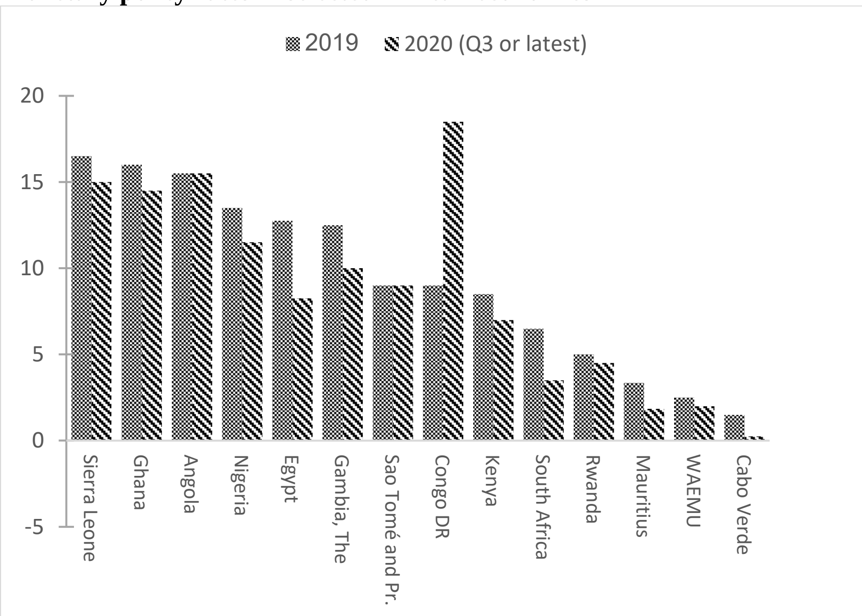
[3] IMF, *Central African Republic: Fourth review under the extended credit facility arrangement, request for waivers of non-observance of performance criteria and modification of performance criteria and financing assurances review — Debt sustainability analysis* (Washington, D.C., 18 June 2018). Available at: www.imf.org/external/pubs/ft/dsa/pdf/2018/dsacr18214.pdf.

[4] African Development Bank Group, *Cabo Verde Economic Outlook*, (2020). Available at: www.afdb.org/en/countries/west-africa/cabo-verde/cabo-verde-economic-outlook.

Accommodative monetary policies have been maintained, despite inflationary pressure in certain countries

16. The majority of African countries have maintained their expansionary monetary policies to cushion the negative effects of the pandemic on economic activity. As illustrated in figure IV, monetary policy rates remain below their 2019 levels in most countries and central banks in the continent's major economies, including Egypt, Nigeria and South Africa, continue to lower policy rates aggressively. In the third quarter of 2020, policy rates were cut by 150 basis points in Egypt, 100 basis points in Nigeria and 25 basis points in South Africa.

Figure IV
Monetary policy rates in selected African economies



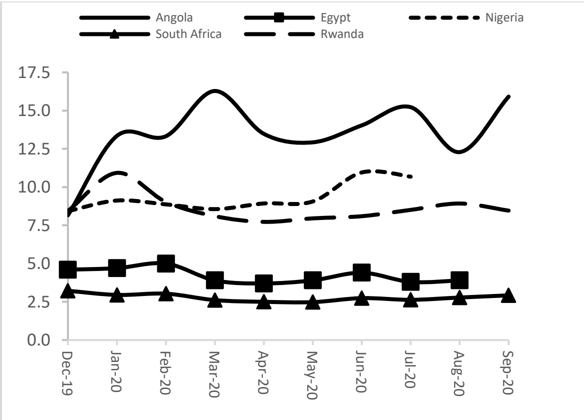
*WAEMU: West African Economic and Monetary Union countries.
Source: ECA calculations on the basis of data from IMF International Financial Statistics.

17. Interest rate cuts, together with liquidity support, asset purchase programmes and loan guarantee measures to support businesses, including small and medium-sized enterprises, and households, have helped maintain access to credit and liquidity in most African economies, cushioning financial vulnerability and supporting economic activity.

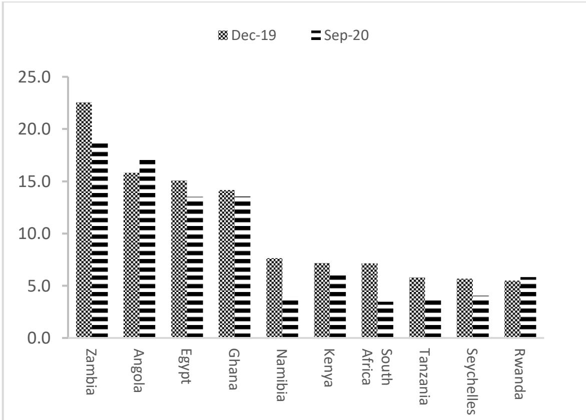
18. As illustrated in figure V, interest rate spreads and treasury bill rates have fallen in most African countries, which has enhanced economic stakeholders' access to loans. However, interest rate spreads and treasury bill rates have increased in Angola, Rwanda and a number of other countries whose macroeconomic risks are still high.

Figure V
Easing financial conditions in selected African economies, December 2019 to September 2020

(a) Interest rate spreads (per cent)



(b) Government bond rates (per cent)

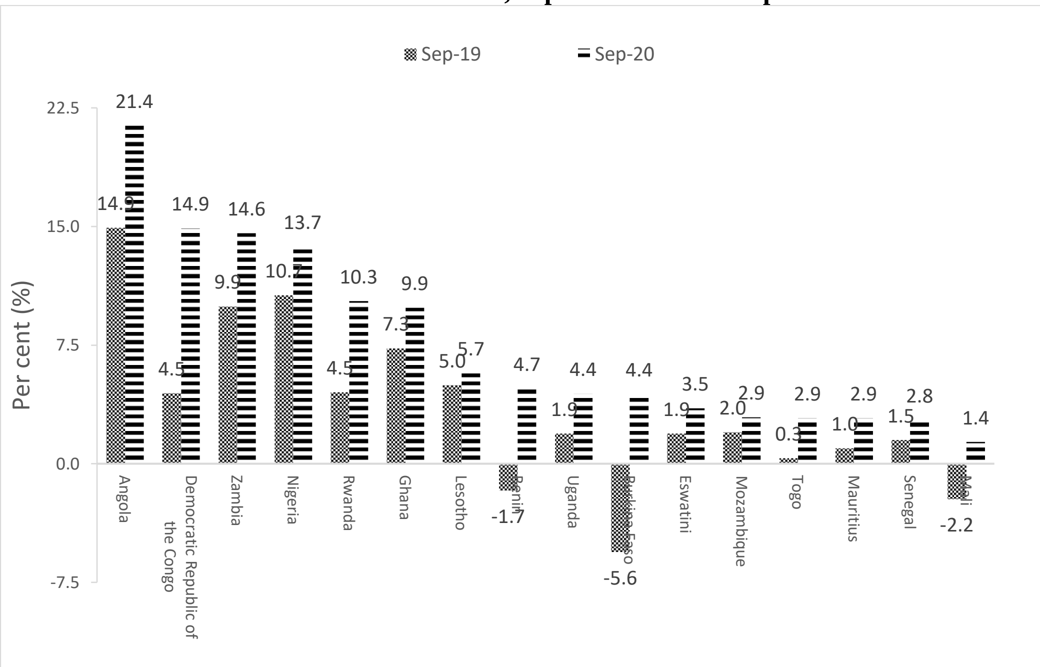


Source: ECA calculations on the basis of data from IMF International Financial Statistics and national authorities

19. Increasing inflationary pressures in certain countries are, however, reducing the policy space available to central banks and threatening price stability. To ensure stability, countries should only provide additional easing if they have been able to keep inflation rates stable. Nonetheless, some countries, including Nigeria, where inflation remains above the Government's target of 5 per cent, have taken action to stimulate the economy further. In such cases, countries should ensure that the strategies being implemented to address the immediate crisis do not undermine long term financial stability.

20. As illustrated in figure VI, inflationary pressure, arising primarily, from supply chain disruptions, rising commodity prices (including rising oil and food prices) and increasing macroeconomic vulnerabilities stemming from reduced remittances from abroad, falling tourism revenues and deteriorating broader financing conditions, are now posing significant challenges for most countries in Africa. Many of the countries that have been particularly badly affected by the pandemic are heavily dependent on their oil sectors (these include Angola and Nigeria), their mineral sectors (including the Democratic Republic of the Congo and Zambia), their tourism sectors (including Eswatini and Mauritius) or on oil imports (including Ghana, Rwanda, Uganda and West African Economic and Monetary Union (WAEMU) member countries). Increased inflationary pressures could encourage countries to reverse course and raise interest rates. Indeed, the Democratic Republic of the Congo has already increased rates, potentially undermining economic recovery. It should be noted, however, that, while many African economies have experienced inflationary pressures, other countries have succeeded in keeping inflation under control, including Mali, which has managed to keep inflation below its 2 per cent target, and Mauritius, which has kept inflation under 4 per cent.

Figure VI
Inflation rates in selected African economies, September 2019 to September 2020

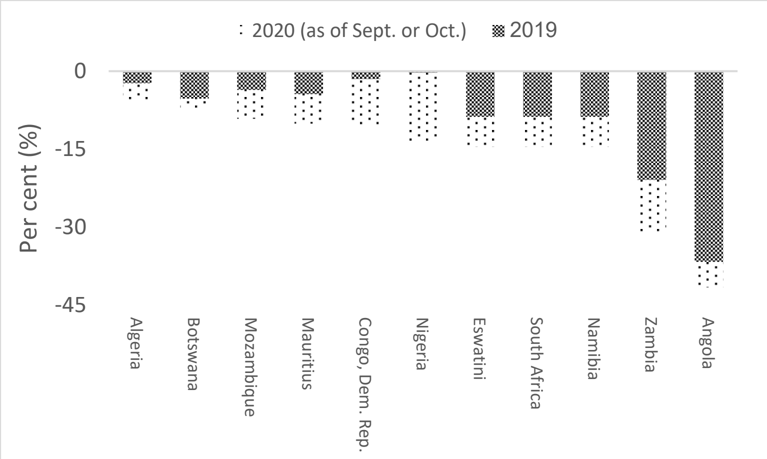


Source: ECA calculations on the basis of data from IMF International Financial Statistics.

Currency stability improved in most African economies in the second half of 2020

21. Many African central banks intervened extensively in the foreign exchange markets in 2020 to support their currencies, particularly after their countries experienced a sharp fall in export revenues, a decline in financial inflows and a contraction in their foreign exchange reserves. Despite the modest rise in commodity prices that has occurred since the third quarter of 2020, some economies have failed to prevent their currencies from depreciating. Depreciating currencies have, in turn, fueled inflationary pressures and created significant monetary policy challenges. As shown in figure VII, a number of oil exporting countries, including Algeria, Angola and Nigeria, and mineral-exporters, including the Democratic Republic of the Congo, Eswatini, Namibia, South Africa, Zambia, and Zimbabwe, had experienced very large currency depreciations by October 2020 compared with 2019. Although weaker currencies can stimulate exports, currency depreciations in those countries have led to persistently higher inflation, forcing central banks to increase interest rates.

Figure VII
Currency depreciations in selected African economies between 2019 and September or October 2020 (per cent)



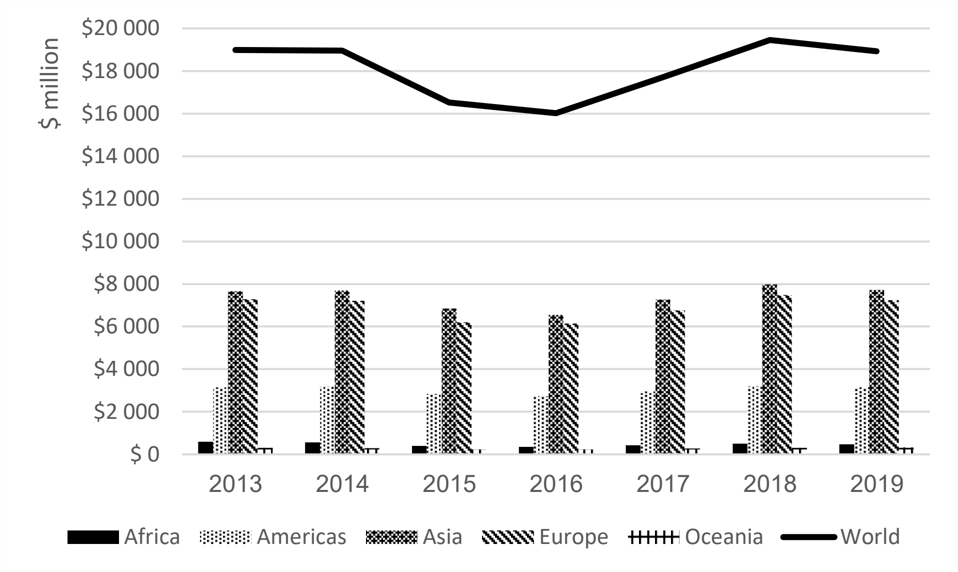
Source: ECA calculations on the basis of data from IMF International Financial Statistics.

African trade has declined during the COVID-19 pandemic

22. It is estimated that, due to the COVID-19 pandemic, global trade in goods declined by some 9.2 per cent in 2020 compared with 2019. For African economies, exports are estimated to have decreased by 8 per cent, while imports are thought to have fallen by 16 per cent.[5] As shown in figure VIII, global exports decreased slightly in 2019 compared with 2018 levels, but remained relatively high compared with the figure for 2016. Nonetheless, the African continent's share of total global exports decreased from 3.1 per cent in 2013 to 2.5 per cent in 2019, while the share of total global exports increased in other regions, including the Americas, whose share of total global exports rose from 16.6 per cent to 16.7 per cent over that period, Asia, where it rose from 40.4 per cent to 40.8 per cent, and Oceania, where it rose from 1.6 per cent to 1.7 per cent. The share of global trade accounted for by European countries remained steady at 38.3 per cent. However, between 2016 and 2019, Africa experienced the fastest export growth of any global region (an increase of 32.9 per cent), behind only Oceania (where exports increased by 36.7 per cent) but above Asia (17.9 per cent), Europe (17.9 per cent), and the Americas (15.7 per cent).

[5] World Trade Organization, "Trade shows signs of rebound from COVID-19, recovery still uncertain", Press release, 6 October 2020. Available at: www.wto.org/english/news_e/pres20_e/pr862_e.htm.

Figure VIII
World merchandise exports, 2013–2019 (United States dollars)



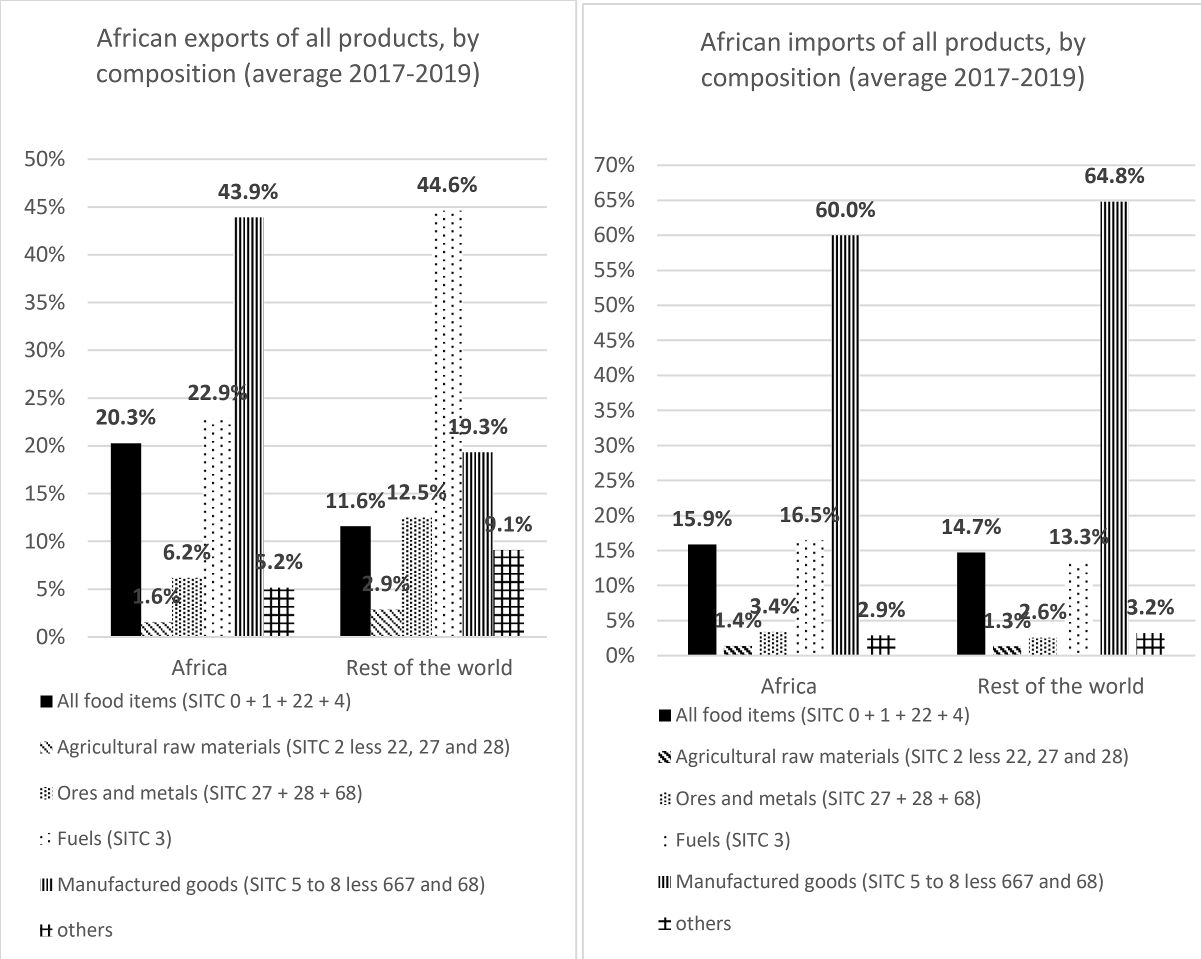
Source: ECA calculations on the basis of UNCTADstat data, 2020.

Intra-African trade in goods remains low

23. As shown in figure IX, intra-African trade flows (including both exports and imports) remained relatively low between 2017 and 2019, accounting for some 16 per cent of African countries' total trade. African countries remain extremely dependent on trading partners outside the continent, which exacerbates the continent's vulnerability to external shocks during crises, such as the ongoing COVID-19 pandemic. Between 2017 and 2019, intra-African exports largely comprised manufactured goods (43.9 per cent), followed by fuels, (22.9 per cent), food items (20.3 per cent), ores and metals (6.2 per cent), and agricultural raw materials (1.6 per cent). To some extent, the range of intra-African exports underscores the potential for industrialization and economic diversification in Africa. African exports to the rest of the world during the same period comprised fuel (44.6 per cent), followed by manufactured goods (19.3 per cent), ores and metals (12.5 per cent), food items (11.6 per cent), and agricultural raw materials (2.9 per cent).

24. Intra-African imports also largely comprised manufactured goods (60 per cent) followed by fuels (16.5 per cent), food items (15.9 per cent), ores and metals (3.4 per cent) and agricultural raw materials (1.4 per cent) over the period 2017 to 2019. Manufactured goods accounted for the lion's share of imports to Africa from the rest of the world (64.8 per cent). These were followed by food items (14.7 per cent), fuels (13.3 per cent), ores and metals (2.6 per cent), and agricultural raw materials (1.3 per cent). Those figures also illustrate the need to promote industrialization and economic diversification in Africa.

Figure IX
Composition of African trade



Source: ECA calculations on the basis of UNCTADstat data, 2020.

25. There are often significant subregional trade variations, however. Food items, for example accounts for 36.7 per cent of exports from East Africa and 23.8 per cent of exports from West Africa (both higher than the African average of 20.3 per cent). Manufactured goods account for 69.0 per cent and 53.8 per cent of exports from Central and Southern Africa, respectively, against the African average of 43.9 per cent, while fuels account for 35.8 per cent and 41.6 per cent of exports from North and West Africa, respectively, against the African average of 22.9 per cent.

26. As stated above, African countries continue to depend heavily on trade with the rest of the world, and particularly with their traditional trading partners, including European Union countries. Indeed, the European Union is the destination for some 32.3 per cent of African exports and supplies 30.2 per cent of the continent’s imports. Meanwhile the United States of America accounts for 6.2 per cent of African exports and 4.9 of African imports, China accounts for 13.2 per cent and 17.3 per cent of African exports and imports, respectively, and India accounts for 7.8 per cent of the continent’s exports and 4.7 per cent of its imports. Intra-African exports and imports account for only 15.5 per cent and 14.2 per cent of total African exports and imports, respectively.

Growth in African service exports slowed during the COVID-19 pandemic

27. As shown in figure X, African service exports grew steadily from $94.9 billion in 2016 to reach some $121.9 billion in 2019. Growth in 2016 was led by insurance and pension services, which increased by 47.5 per cent by 2019, followed by travel services (46.1 per cent growth), charges for the use of intellectual property services (42.6 per cent growth), financial services (35.7 per cent growth) and goods-related services (21.3 per cent growth). Regrettably, however, the service sector has been severely affected by the pandemic, with services related to transport and tourism being among the most affected; in fact, trade in tourist-related services is believed to have fallen by some 9 per cent in 2020. The ongoing digitization of services will, however, determine the full impact of lockdown and social distancing measures, as revenue from digital services can, to a certain extent, offset lost revenue from services that cannot be provided while respecting social distancing guidelines and mandates.[6]

African countries have launched the African Continental Free Trade Area

28. The Agreement Establishing the African Continental Free Trade Area entered into force on 30 May 2019, only 14 months after the tenth extraordinary session of the Assembly of the African Union, held in March 2018, during which the Agreement was first opened to African Union member States for signature. On 7 July 2019, the twelfth extraordinary session of the Assembly celebrated the first anniversary of the opening for signature of the Agreement. Several other mechanisms were also established to facilitate implementation of the Agreement. Those included an online mechanism for reporting, monitoring and eliminating non-tariff barriers. In February 2020, the first secretary-general of the African Continental Free Trade Area secretariat was appointed, and in August 2020, the secretariat headquarters building was opened in Accra. Intra-African trade under the Agreement was initially planned to begin on 1 July 2020 but was delayed due to COVID-19 restrictions. On 5 December 2020, the thirteenth extraordinary session of the Assembly adopted 1 January 2021 as the official start date of trading under the Agreement. The thirteenth extraordinary session also provided an opportunity for some African Union member States to deposit their instruments of ratification of the Agreement, to which there are now 34 State parties.

29. ECA has projected that tariff reductions under the Agreement could boost intra-African trade by between 15 and 25 per cent by 2040, with particularly significant gains to be expected in the agrifood and industrial sectors.[7] Furthermore, ECA suggests that complementary policies that go beyond tariff reductions could further increase gains under the Agreement, and that the most important gains would be realized through the restructuring of African economies and their reorientation towards industrial and export-driven sectors. ECA has, moreover, underscored that its assessment of the Agreement may, in fact, underestimate the benefits stemming from the African Continental Free Trade Area.[8]

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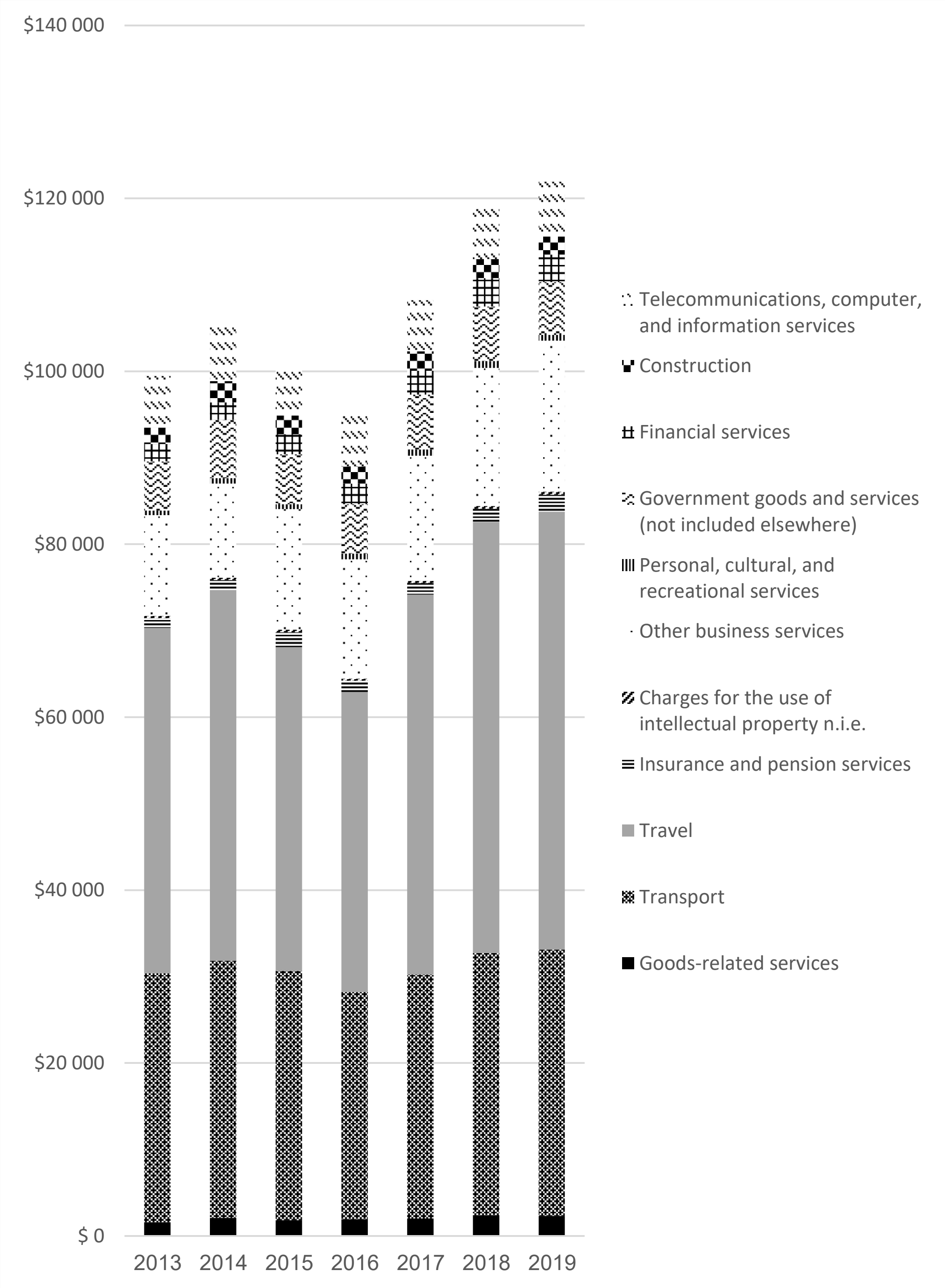
[6] Karishma Banga and others, "*Africa Trade and COVID-19: the supply chain dimension*", Working Paper 586 (Overseas Development Institute and ECA African Trade Policy Centre, August 2020). Available at: www.odi.org/sites/odi.org.uk/files/resource-documents/africa_trade-covid-19_web_1.pdf.

[7] ECA, *An empirical assessment of AfCFTA modalities on goods: Key messages* (Addis Ababa, 2018). Available at: knowledge.uneca.org/ATPC/sites/default/files/PDFpublications/afcfta_modalities_key_messages_eng.pdf

[8] ECA, *The Case for the African Continental Free Trade Area. The AfCFTA, Africa's trade flows and industrialization* (Addis Ababa, 2018).

30. In addition to boosting trade, enhancing regional integration, and promoting inclusive growth, the African Continental Free Trade Area is likely to play a fundamental role in the continent's recovery from the COVID-19 pandemic. Every effort must therefore be made to facilitate the Agreement's full implementation.

Figure X
Services exports by sector (millions of United States dollars)



Source: ECA calculations on the basis of UNCTADstat data, 2020.

II. Slow but consistent reduction in poverty observed over the past few years

31. Much of the progress achieved in recent years in the areas of education, health and poverty eradication has been halted or reversed by the COVID-19 pandemic, impeding the achievement of many of Sustainable Development Goals in some countries. Although the impact of the pandemic has varied among African countries, it has increased the proportion of people at risk of falling into poverty and exacerbated inequalities across the continent.

32. Prior to the COVID-19 pandemic, poverty rates had been falling across Africa. In fact, after increasing from 54.3 per cent in 1990 to 55.6 per cent in 2002, the continent's poverty headcount ratio declined to 41 per cent in 2013, before declining further to 36 per cent in 2016.[9] Due largely to population growth in Africa, which currently stands at approximately 2.6 per cent per year, the drop in poverty rates did not, however, result in a drop in the number of Africans living in extreme poverty, which stood at 431 million prior to the COVID-19 pandemic. The pandemic has halted or reversed much of the progress that had been achieved in that regard; ECA estimates that the number of people living in poverty in Africa will increase by between 49 and 161 million as a result of the pandemic, with 100 million being the most likely estimate.[10] The impact of falling GDP is likely to be felt first by those who are already vulnerable to poverty, namely individuals who are just above or close to the extreme poverty threshold of $1.90 per person per day. Indeed, vulnerable households affected by COVID-19 face an increased probability of moving into transient poverty of 17.1 per cent, a 4.2 per cent increased probability of staying in poverty for a decade or longer, and a fall in the probability of moving out of poverty of 5.9 per cent. Increased poverty levels will also exacerbate existing income inequalities and further marginalize large proportions of African people from future growth trajectories.[11]

33. The rapid and sustained growth that Africa has achieved in the past two decades has not resulted in commensurate employment creation. Over the period 2000–2014, a 1 per cent increase in GDP growth was associated with only 0.41 per cent growth in employment, meaning that employment was expanding at a rate of less than 1.8 per cent a year, which is far below the nearly 3 per cent annual growth in the labour force.[12] Due to supply and demand shocks stemming from the COVID-19 pandemic, annual formal job creation (currently at 3.7 million) is forecast to drop by between1.4 and 5.8 per cent, compared to the 2020 baseline growth scenario. With more than 60 per cent of men, and nearly 75 per cent of women in informal employment in Africa, informal and vulnerable employment is expected to increase.[13] While the 2008 financial crisis increased vulnerable employment by 10 per cent, the more systemic shock of COVID-19 is expected to increase vulnerable employment

[9] African Union Commission and Organization for Economic Cooperation and Development *Africa's Development Dynamics 2018: Growth, Jobs and Inequalities* (Paris and Addis Ababa, 2018). Available at: www.oecd.org/publications/africa-s-development-dynamics-2018-9789264302501-en.htm

[10] ECA, "Reducing poverty and vulnerability in Africa in the time of Covid-19", unpublished report, 2020.

[11] ECA, *COVID-19 in Africa: protecting lives and economies* (Addis Ababa, 15 April 2020). Available at: www.uneca.org/covid-19-africa-protecting-lives-and-economies

[12] International Labour Organization (ILO), *Report on employment in Africa (Re-Africa): Tackling the youth employment challenge*, (Geneva, 14 August 2020). Available at: www.ilo.org/africa/information-resources/publications/WCMS_753300/lang--en/index.htm

13 ECA, *COVID-19 in Africa: protecting lives and economies.*

considerably more than that, with the International Labour Organization (ILO) anticipating 19 million job losses in Africa.[14]

34. Africa has made significant progress in terms of health in recent years. Life expectancy has increased since 2000 and Africa is now adding nearly 5 years to average life expectancy every decade. This has been accompanied by equally encouraging improvements in mortality indicators: the mortality rate for children under five years of age declined from 148 to 62.8 deaths per 1,000 live births between 1990 and 2017, equivalent to an average decline of 2.1 per cent per year. The infant mortality rate declined at an average of 1.9 per cent per year, from 91 to 44.1 deaths per 1,000 live births over the same period. The maternal mortality ratio also declined at an average of 0.9 per cent per year, from 542 to 421 per 100,000 live births, between 1990 and 2015 with progress accelerating from 2000 onwards.[15] (ECA 2019)).

35. Health expenditure in Africa averages between 4 and 5 per cent of GDP. Many African countries have rapidly changing health profiles and, alongside common communicable diseases, increasing numbers of Africans suffer from non-communicable diseases, including cancer and diabetes, many of which are expensive to treat. Rising health costs have led to a health financing gap of some $66 billion.[16] Furthermore, out of pocket health costs may be as high as 36 per cent of total health expenditure and can result in households falling into poverty. The health costs associated with the COVID-19 pandemic have highlighted that development deficit. COVID-19-related expenditure is, moreover, exacerbating the continent’s existing health challenges as resources are redirected to fighting the pandemic and spread even thinner in other key health-care areas.

36. Responses to COVID-19 are also slowing progress in education and training across the continent, with negative consequences for short-term productivity and long-term growth. However, the impact of government responses to the pandemic on the educational sector also presents an unprecedented opportunity to redesign educational policies in ways that contribute to sustainable and equitable growth and development and accelerate the transformation of the African continent. COVID-19 has also highlighted gender disparities within education, as poorer families are forced to make choices between educating their children and meeting their daily survival needs. Faced with limited family resources, girls rather than boys are more likely to be withdrawn from school, thereby widening the literacy gender gap. Secondary education is, moreover, crucial for the continent’s transformation and low secondary education enrolment and a more pronounced gender gap at secondary level seriously undermines women’s ability to participate effectively in the labour force.[17]

37. As illustrated in figure XI, school closures in Cameroon and Nigeria have affected 7.2 million and almost 40 million learners respectively. In Cameroon, Egypt, Ethiopia and Nigeria, slightly fewer girls than boys have been affected, while in South Africa, more females have been affected. The proportion of primary school learners affected by closures varies among countries. In Egypt, for example, 49 per cent of primary school learners have been affected, while in Nigeria, the figure is 65 per cent and in Ethiopia it is as high as 66 per cent. The proportion of secondary school learners affected ranges from 21 per cent in Ethiopia to 35 per cent in Egypt and

[14] ILO, “COVID-19 causes devastating losses in working hours and employment”, 7 April 2020. Available at: www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_740893/lang--en/index.htm.

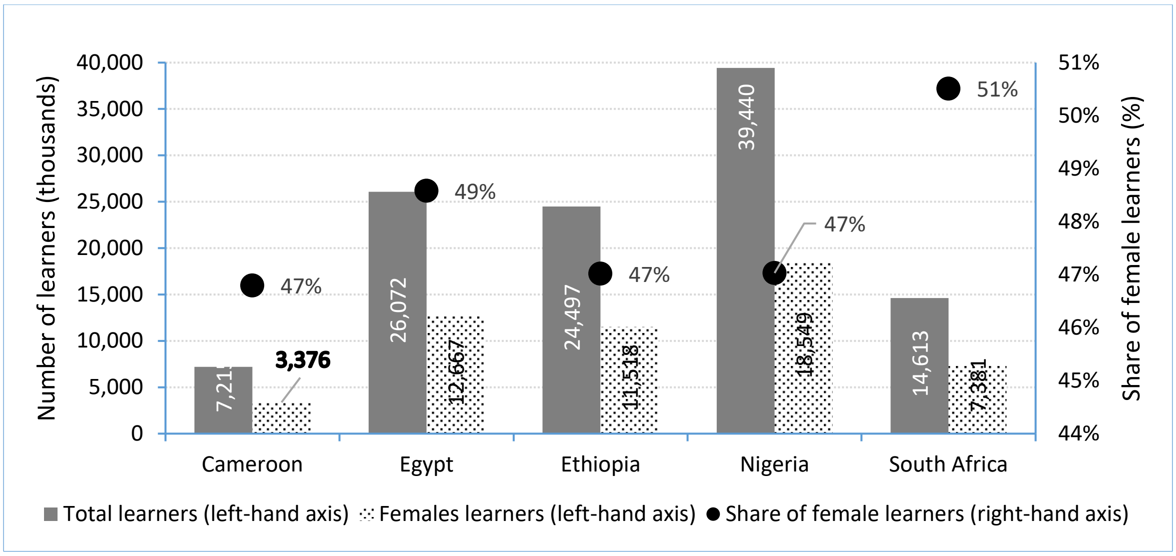
[15] ECA, *Economic growth and health care* (Addis Ababa, 2019).

[16] Ibid.

[17] Daniela Casale and Dorrit Posel, “Gender inequality and the COVID-19 crisis: Evidence from a large national survey during South Africa’s lockdown”, *Research in Social Stratification and Mobility*, vol. 71 (February 2021). Available at: www.sciencedirect.com/science/article/pii/S0276562420301050?via%3Dihub.

South Africa. Pre-primary learners in Ethiopia and tertiary education learners in Egypt account for over 10 percent of total learners affected in those countries.

Figure XI
Learners affected by school closures in selected countries by sex, 2020



Source: ECA analysis on the basis of data provided by UNESCO.
Note: For this analysis, the country with the largest population in each African subregion was selected for comparison.

III. Risks and uncertainties

38. Risks to economic growth in Africa are posed by the various external shocks that have affected the continent, uncertainties regarding the effectiveness of policy responses, and the reaction of populations and policymakers to news regarding the development and roll out of COVID-19 vaccines. On the one hand, policy responses in many countries have included the provision of support to mitigate the adverse effects of the pandemic and facilitate recovery. The development of COVID-19 vaccines also bodes well for economic recovery, while the election of a new administration in the United States of America could reduce political uncertainty worldwide and promote stronger global growth.

39. On the other hand, downside risks are posed by uncertainty regarding the speed of any global recovery, expansionary fiscal measures, and rising debt levels in many African countries. Political risks are also posed by post-election instability and social unrest in certain countries which may, in part, stem from pandemic-related economic hardship and lockdown fatigue. Climate risks could also undermine economic growth, particularly as several countries in Africa are at high risk of extreme weather events, including floods and droughts, which could potentially undermine their agricultural sectors, especially given the limited infrastructure available in many of those countries to mitigate climate risks.

IV. Policy recommendations

40. As countries adopt strategies and policies to facilitate recovery from the COVID-19 crisis, there is need to assess the effectiveness of the mitigation and recovery measures being enacted and ensure that they are launched in a timely manner. Such action will support a strong rebound in growth in Africa and foster macroeconomic stability. It is also crucial to support African countries' debt restructuring processes to ensure the sustainability of their debt burdens.

41. African countries' policy responses should not be enacted merely to facilitate a return to the pre-COVID-19 status quo, but also to encourage investment in new areas so as to build greater resilience, increase productivity and ensure long-term growth. Strengthening African countries' weak health systems, increasing investment in digital technologies and fast-tracking the effective implementation of the Agreement Establishing the African Continental Free Trade Area will support economic recovery and enable African countries to thrive in a post-pandemic world. African economies should seize the opportunity that lies before them to undertake structural reforms that will support long-term growth and foster prosperity.

42. Smart investments in education, health and social protection mechanisms that can support countries' productive capacities rather than consumption will prove critical. Countries should shift the burden of health expenditure away from households and seek to mobilize innovative sources of financing. Contributory schemes, including community and private health insurance schemes could strengthen cross-subsidization while the digitalization of health delivery services could reduce the likelihood that individuals and households will fall into poverty because of exorbitantly high out of pocket health-care expenses.

43. It is important to accelerate efforts to achieve the Sustainable Development Goals and the aspirations, goals and targets of Agenda 2063 that pertain to education, inter alia by strengthening links between educational institutions and employers, improving science and technology curriculums, promoting the digital delivery of courses, and scaling up apprenticeships and mentoring schemes. The slow uptake of secondary education and technical and vocational training in Africa highlights the mismatch between educational curriculums and the needs of the labour market, which, in turn, continues to undermine productivity, increase the prevalence of informal employment and exacerbate the vulnerability of many Africans to income shocks.