Agence française de développement

# L'économie africaine 2022

« Encore un bon cru ! »

*Alternatives économiques*

**REPÈRES** ÉCONOMIE

La Découverte

## Introduction*

*Rémy Rioux, CEO of AFD*

This issue of *L'Économie africaine* has been created by Éditions La Découverte and the Agence française de développement (AFD) (French Development Agency), who are continuing their collaboration for the third consecutive year. The issue presents a report on the current state of affairs in Africa—a continent adapting in order to withstand the economic crisis caused by the COVID-19 pandemic—and an in-depth analysis of the structural plans designed to meet the Sustainable Development Goals (SDG).

As in the previous two issues, this report employs the "All Africa" approach that has been promoted by the AFD Group in recent years. This method makes it possible to establish a comprehensive and detailed understanding of African responses to the crisis. Led by the African Union and its remarkable Centers for Disease Control and Prevention (Africa CDC), Africans have chosen not to respond with defensive, short-term measures. Two years after the outbreak of the COVID-19 pandemic, the feared collapse of the African economy has not occurred. While the continent experienced its first major recession in 2020 after three decades of growth, its economy is already recovering, with an estimated 3.8% growth, albeit a slower pace than the global economy. Above all, its counter-cyclical response has been accompanied by welcome quantitative and qualitative analysis of the challenges of long-term investment and the vigorous support of African political and economic leaders for the renewal of mechanisms such as Special Drawing Rights (SDRs) and the strengthening of the continent's public development banks.

* *Translated by Cadenza Academic Translations*

Based on an economic and structural diagnosis of the African economy, the "All Africa" approach also focuses on the interrelationship between climate and biodiversity concerns and economic and social issues. A fragile health and social protection system is a threat to the economy; illegal trade and poaching of endangered species have repercussions on human health; and there are risks to growth when its fruits are not seen by the people. For all these reasons, the focus in Africa is on green and inclusive growth, with South Africa leading the way. Its commitment to a just transition to a low-carbon economy inspired the whole world in Glasgow at COP26, and it is this hopeful message that we wish to transmit in this issue. The African continent is on the move, and it needs our support! To this end, we are highlighting very specific solutions for financing sustainable recovery, in particular by supporting the hundred or so public development banks involved in the Finance in Common movement (FiCS).

Lastly, in order to gain a deeper understanding of the dynamics at work, our continental approach adopts the standpoint of Africans themselves. The African economy that we wish to analyze is above all the economy of the women and men who make it work. In the same way as the African Union and the African Development Bank—pan-African institutions par excellence—the new African Continental Free Trade Area (AfCFTA), so promising for the regional integration of the continent, does not stop at the Sahara. We therefore analyze not only the macroeconomic aspects of growth in Africa, but also its social issues and the perceptions of those who live there. For this reason, once again this year, we wanted to provide a platform for the main actors in the continent's economic development: our partners, the African researchers and economists who, like us, analyze the development of the continent's economy, as well as all those who create wealth and embody this growth, in particular female entrepreneurs.

In Chapter 1, Yasmine Osman and Christian Yoka take stock of the specific characteristics of the recovery in Africa and examine the wide divergences within the continent. They also analyze current dynamics in order to determine whether the recovery is sufficiently strong to overcome the severe consequences of the COVID-19 crisis. Finally, they look at prospects for the coming year. While African growth is likely to continue, it is important to tackle the question of whether reconstruction is really sustainable.

In Chapter 2, Paul Teboul focuses on the financing of African economies. In addition to the short-term issues facing Africa, it was deemed valuable to study the question of African countries' progress with sustainable development in the post-COVID-19 world. The current heated debates following the May 18, 2021 summit convened by France clearly reflect the fact that there are tensions between the continent's immediate needs in terms of responding the crisis and the need for long-term planning in order to stay on course for the SDGs. While advanced economies have devoted an average of 7.2% of GDP to post-COVID recovery, African states have only been able to devote some 2.6%, which includes payment for vaccines. Advanced economies' allocation of unneeded International Monetary Fund (IMF) SDRs to low-income economies, perhaps by means of their public development banks, is a result of the desire not to mortgage Africa's capacity to respond to future challenges. The reallocation of SDRs could, in particular, be put toward long-term investments in favor of objectives such as the fight against climate change and the erosion of biodiversity.

In Chapter 3, Wendy Annecke, Anda David, Antoine Godin, and Peta Wolpe trace the debates on the "just transition" in South Africa and highlight the challenges that must be overcome in order to bring it about. Reconciling the imperatives of human development and the protection of the planet called for in the 2030 Agenda, while also harmonizing social, economic, and environmental policies, is a demanding and complex exercise. Analysis of the "just transition" being undertaken in South Africa provides useful insights into the trade-offs faced by those who set public policies and the choices needed to be taken in order to achieve the transition. South Africa's genuine commitment to a low-carbon pathway despite having the highest CO2 emissions in Africa means it needs to put in place a strategy to break its dependence on coal and to do so at a time of major socioeconomic inequalities and social tensions exacerbated by the COVID-19 pandemic.

Another dynamic that should provide a lasting structure for African development is the process of regional integration within the AfCFTA, effective since January 1, 2021. The AfCFTA's capacity to enable the continent's structural transformation needs to be examined. In Chapter 4, Julien Gourdon, Wautabouna Ouattara, and Chahir Zaki examine the AfCFTA's potential benefits and challenges and study the extent to which it is able to support the economic performance of African countries by facilitating intra-African trade.

Lastly, since macro analysis of structural changes on the continent is not sufficient to shed light on the full range of individual trajectories, two chapters of this report are devoted to sociological analyses on African women and young people. On the basis of a qualitative survey conducted in Ouagadougou by Jean-François Kobiané, Bilampoa Gnoumou-Thiombiano, Anne Calvès, and Serge Rabier, Chapter 5 describes the forces behind the socioeconomic success of the women who live in Ouagadougou and the way in which success is affected by gender inequalities. The writers paint a picture of the constraints and challenges faced by women and the way the situation may evolve. In Chapter 6, Francis Akindès highlights the contrast between demographic dynamics and the capacity of African economies to integrate young people. Young people's impatience and imagination are palpable, and their capacity for innovation and desire for emancipation demonstrate that they can be agents of economic and social change. However, the political responses to their expectations must provide them with more opportunities to "make" rather than "break" society. This would mean majorly reforming educational systems and developing public policies that allocate more resources to young people. This report concludes with Cécile Duquesnay's chronology of the main African events due to take place in 2022, and, in line with our "All Africa" approach, her statistical tables providing the main African economic and social data.

In conclusion, I would like to express my great pleasure at the number of African researchers and AFD staff members who have collaborated in this issue, a number that increases every year, and to thank all of those whose diverse expertise and wide-ranging perspectives contribute to enriching our common understanding of the dynamics at work on the continent.

## I / Macroeconomic trends in Africa and in its regions

*Yasmine Osman and Christian Yoka (AFD)*

**A**fter a year in which the continent was badly affected by the COVID-19 crisis, Africa returned to positive growth in 2021, putting an end to an unprecedented depression—a phenomenon unseen in recent history. Real GDP has exceeded its pre-crisis growth rate (+3.6% compared to +3.2% in 2019),1 buoyed by the improvement in the international economy and the easing of physical distancing measures.

Nevertheless, Africa's post-COVID-19 recovery has not been as strong as elsewhere. Global growth in 2021 was almost twice as strong as in Africa, and the continent's slower growth is not without its effects: it threatens to widen the gap between the continent and the rest of the world and to put an end to the convergence that was underway before the crisis. Moreover, recovery within Africa has been uneven, with some regions faring better than others.

How does the recovery in Africa compare to the rest of the world? How can divergences within the continent be explained? And are the dynamics of the recovery sufficiently strong to overcome the lasting consequences of the shock? This chapter sets out to answer these questions and to review the outlook for the coming year. While growth is likely to become consolidated, additional efforts will be needed to rebuild the economy in a sustainable manner.

[1] Excluding Libya, whose figures are highly volatile.

## The return to economic growth

*Africa is on the move again!*

After an unprecedented recession in 2020 (-1.3%), Africa is due to record an average positive growth rate of 3.6% in 2021.[2] Several factors, both external and internal, have contributed to this rebound in activity.

First of all, the recovery is partly due to a more buoyant international environment. The rebound of the world economy (+5.9%, from -3.1% in 2020) due to the improved global health situation and the strong growth of some major world powers (in particular the United States and China) benefited African economies as a result of the increase in global demand. The recovery in commodity prices has also benefited African extractive economies, although it has not completely eliminated the effects of the 2020 crisis (see below). Driven by rising energy demand, particularly from China, oil prices and base metal prices rose significantly in 2021, by 59% and 50% respectively (see Graph 1).

Other external factors also played a positive role. Capital flowed back into Africa. The improvement in financial conditions, as evidenced by the tightening of yields on government bonds, has resulted in the success of several Eurobond sales on the continent. In early 2021, Côte d'Ivoire and Benin were able to issue bonds on the international markets at historically low rates (below 5%). Similarly, after a 7% drop in 2020, the resumption of remittances from the diaspora—the primary source of external funds in Africa—has stimulated foreign exchange inflows.

On the domestic front, recovery was stimulated by lifting the social distancing measures put in place to prevent the spread of the virus, as well as support from the authorities. On the one

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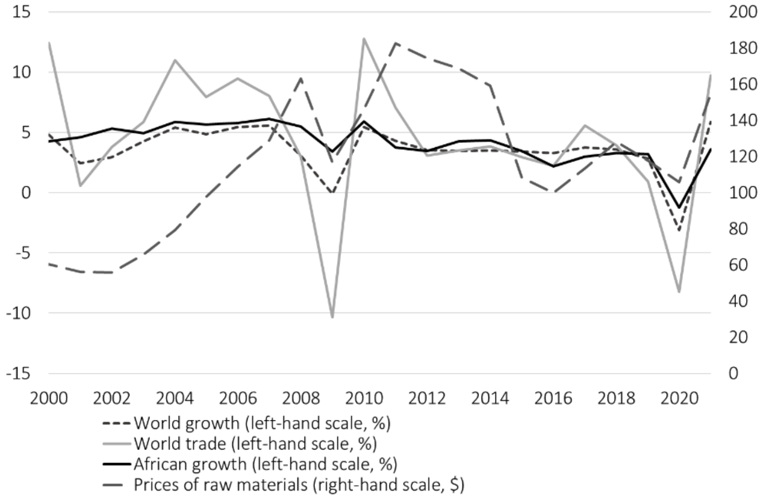
[2] Figures for 2021–2022 are based on forecasts and will therefore need to be revised.

hand, the easing of lockdown measures meant a return to productive activity and household consumption despite several fresh outbreaks of COVID-19 during the course of the year (e.g., in Tunisia in the summer of 2021). On the other hand, government support has enabled essential spending to continue, and has protected the most vulnerable firms and households. These measures have been financed by continued donor support and the extension of initiatives such as the G20 Debt Service Suspension Initiative (DSSI). Thirty African countries have benefited from the second phase of the DSSI (January–June 2021), representing a saving of $1.8 billion for these countries.

Graph 1. **World environment and African growth**

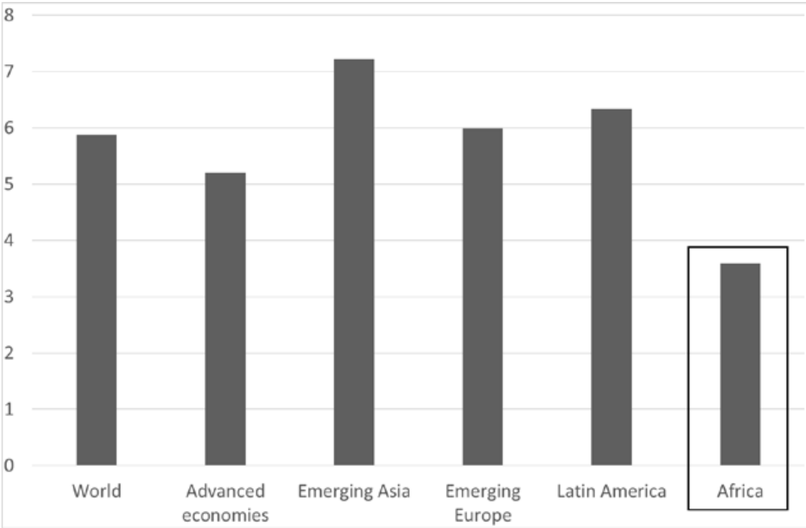



*Sources*: FMI, World Economic Outlook Database, October 2021. Calculations by AFD.

*Slower growth in Africa than in the rest of the world*

Recovery was almost only half as strong in Africa as in the rest of the world. Africa has lagged behind all the other major regions of the world, which have experienced growth rates of between 5% and 7.5% (see Graph 2).

Graph 2. **Growth in 2021 by world regions**
(in %)




*Sources*: FMI, World Economic Outlook Database, October 2021. AFD calculations.

The gap between Africa and the rest of the world has several causes. It firstly reflects, in part, a lower technical rebound in Africa in 2021, following a more contained recession than elsewhere. Second, it reflects the differences in the stimulus packages deployed. While advanced economies have devoted an average of nearly 7.2% of their respective GDP to post-COVID-19 recovery, African countries have only been able to provide 2.6%. According to a World Bank business survey, only 12% of African firms received government support during the crisis, compared to nearly 25% in Southeast Asia and more than 16% in Latin America [World Bank 2020].3 In addition to the amount of aid, African companies failed to take advantage of government support to the same extent as elsewhere due to a lack of knowledge of existing schemes and complicated administrative processes. Finally, the slower recovery of resource-rich

[3] References in square brackets refer to the reference list at the end of the chapter.

economies (see below), of which there are many on the continent (nearly half the countries), helps explain Africa's poorer performance compared to other regions.

## A two-speed recovery across Africa

Apart from the disparity with the rest of the world, the recovery has not been uniform within Africa either. More specifically, the continent seems to be split into two groups of countries: one experiencing a significant rebound, and the other a much less pronounced recovery.

### *Diversified economies versus economies dependent on extractive resources and tourism: Dynamism versus inertia*

In 2020, diversified economies in Africa managed to maintain positive growth (1.1%) despite the severity of the crisis and the recession elsewhere. Growth in this type of economy accelerated in 2021 to 4.2%, supported by the recovery of domestic demand due to household consumption and public investment, as well as exports. Eight of the diversified economies—Benin, Niger, Tanzania, Burkina Faso, Ethiopia, Côte d'Ivoire, Egypt, and Togo—were among the ten most dynamic economies in Africa in 2020–2021.

On the other hand, economies dependent on extractive resources have not managed to return to pre-crisis levels. Admittedly, the rise in commodity prices has enabled the recovery of these economies, but it has not been sufficient to compensate for the drop in production, and growth has been limited to an average of 3.2% in these countries (-3.2% in 2020). In total, of some 20 African countries that in 2021 did not return to the same level of GDP, more than half are dependent on extractive resources (Algeria, Angola, Botswana, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, Libya, Namibia, South Africa, South Sudan, and Zambia). Some of these countries are among the largest on the continent in terms of GDP: Angola, Algeria, and South Africa alone account for a quarter of total

African GDP. In addition to the volatility of growth and its vulnerability to price reversals, the dependence of these countries on extractive resources has wider consequences for their economic and social balances (Box 1).
However, this resource trap—which affects countries all around the world—is not unavoidable. Some countries, like Botswana, have managed to get around it by reallocating revenues from extractive resources to social sectors (education and health) and developing other economic sectors (notably financial services, communication, and transport).

**Box 1. African economies' dependence on exports of extractive products**

Extractive resources continue to play an important role in African economies, accounting for more than a quarter of total exports of goods and services in just under half of all African countries, and particularly in five of the continent's ten largest economies (Nigeria, South Africa, Algeria, Angola and Ghana), which together account for 40% of total African GDP. In fact, changes in commodity prices have a knock-on effect on the continent's overall progress. The downturn in commodity prices since the end of 2014 has put a stop to the high growth of the 2000s, with economic growth in Africa significantly decreasing, from +4.9% on average between 2000 and 2014 to +3% between 2015 and 2019.

Some countries are highly dependent on their exports of extractive products. This is the case in Angola, Chad, Libya, the Democratic Republic of the Congo, and South Sudan, where the proportion of extractive products exceeds 90% of total exports. Dependence on raw materials is even visible at the level of entire regions: Central Africa and Southern Africa, for example, are dominated by the economic weight of oil and mining countries.

External crises over the past decade have made African extractive economies much more fragile; the gap has widened between these economies and the rest of the continent. Since 2015, the extractive economies have recorded much lower levels of growth than diversified economies, and these divergences have become more pronounced in 2020–2021 following the COVID-19 crisis (see Graph 3).

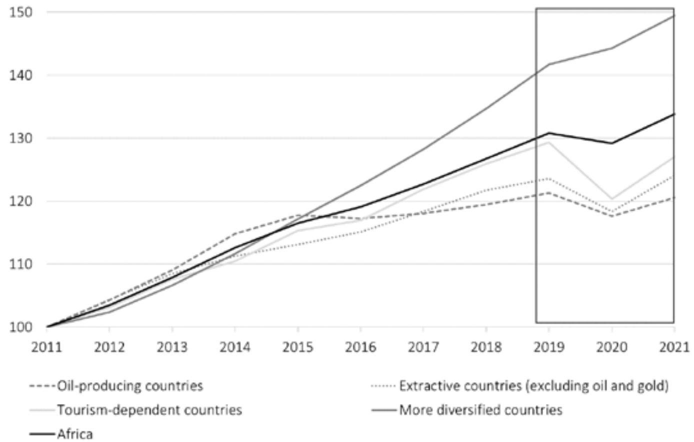
Beyond the significant impact on growth, the external shocks to which these countries are exposed also have an impact on their financial balances. Since 2014, the ratio of public debt to GDP has increased by 25 points on average in Africa and by an additional 12 points in the extractive economies. Some extractive countries are now in a worrying debt situation: among the oil-producing countries in the Central African Economic and Monetary Community (CEMAC), for example, the Democratic Republic of the Congo is on course for an unsustainable debt situation according to the International Monetary Fund (IMF) and the World Bank; Chad is at high risk of debt distress and has requested support from the Common Debt Framework; and Gabon is in arrears on a regular basis.

In addition, growth models in extractive countries have failed to create more and higher value-added jobs and to improve the welfare of the population. For example, in Equatorial Guinea, where the oil sector is dominant, the rate of vulnerable employment* is around 80%. More generally, the oil-producing countries in Central Africa rank poorly in terms of human development: Gabon ranks 119th and Equatorial Guinea 145th out of 189 countries, despite a per capita income level of around $13,950 in both countries, nearly four times higher than the African average (per capita income is one of the three components of the Human Development Index, along with education and health).

Extractive growth models are also associated with weaker governance systems. For example, the oil-producing countries of Central Africa are mostly at the bottom of the Mo Ibrahim Foundation's global governance rankings and among the twenty-five countries with the worst business climates according to the World Bank's Doing Business ranking.

*The vulnerable employment rate is the share of unpaid family workers and self-employed persons in total employment. Since these workers are less likely to be employed in the formal economy, they tend to have less access to benefits and social protection programs. As a result, they are more exposed to economic cycles, which is why their employment is described as "vulnerable."

Graph 3. **Real GDP by type of country**
(baseline: 100 in 2011)




*Sources*: FMI, World Economic Outlook Database, October 2021. AFD calculations.

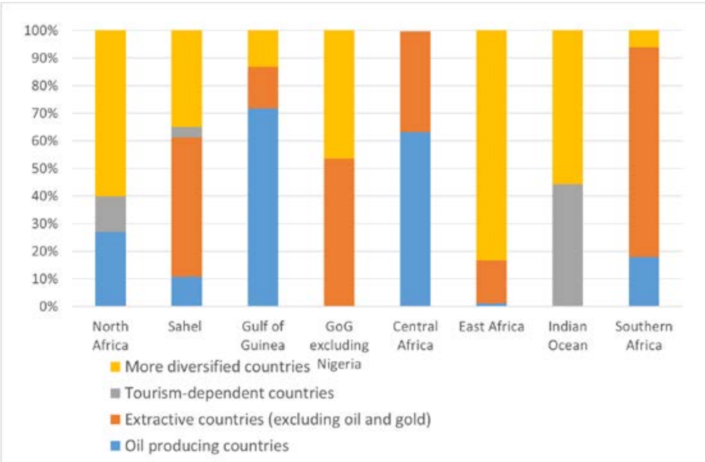
Countries that depend on tourism have also been affected by the crisis. Severely affected by border closures in 2020, these countries have continued to be penalized in 2021 by the feeble recovery of air traffic and the maintenance of health restrictions around the world. They have only experienced a moderate rebound, of 5.6%, after a very marked recession in 2020 (-7%). Above all, the outlook for these countries is not promising: according to the IMF, tourist arrivals in Africa are only due to return to 2019 levels from 2023 onwards.

*Different regions, different economic situations*

Africa thus has a number of regions that are highly dependent on exports of extracted materials, and other regions with more diversified economies. While Central Africa and Southern Africa are dominated by the economies of oil-producing and mining countries, East Africa and North Africa are more diversified (see Graph 4). The regions of the Gulf of Guinea (excluding Nigeria) and the Sahel are in an intermediate situation, as they are composed of both mining countries and diversified countries. It should be noted, however, that in the Sahel the main extractive product exported is gold, a safe investment whose prices tend to rise in times of crisis, thus providing the region some protection from global economic downturns. Indian Ocean countries are characterized by their dependence on tourism revenues.

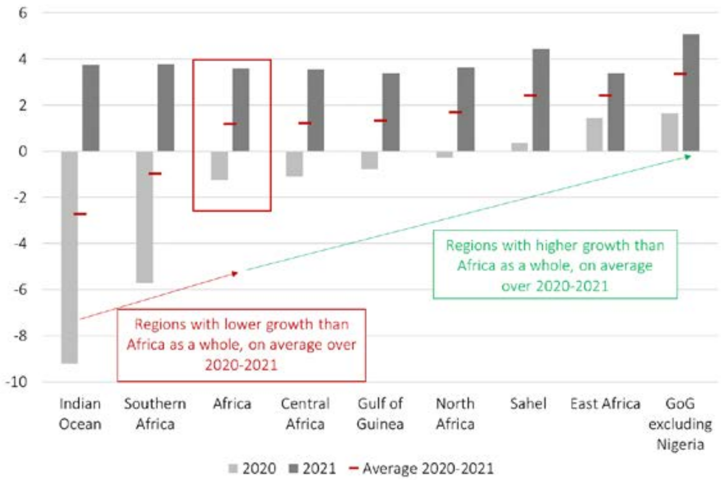
The capacity of regions to weather the crisis largely reflects their degree of economic diversification (see Graph 5). The countries of the Gulf of Guinea (excluding Nigeria), East Africa, and the Sahel, for example, were the most dynamic regions in Africa on average in 2020 and 2021. Conversely, the Indian Ocean countries were penalized by weak tourism, while the countries of Southern and Central Africa barely recovered from the fall in prices in 2020 (Table 1). North Africa includes both oil-producing countries (Libya and Algeria) and tourism-oriented countries (Morocco and Tunisia), whose weak performance has been masked by that of Egypt, which is more diversified and has been able to benefit from strong government support for affected sectors and vulnerable households.

Graph 4. **Proportion of GDP in the region in 2019**
(in %)




*Sources*: FMI, World Economic Outlook Database, October 2021; AFD calculations.

Graph 5. **Growth by region**
(in %)




*Sources*: FMI, World Economic Outlook Database, October 2021; AFD calculations

Table 1. **Comparison of production levels between 2019 and 2021 by countries' dependence on extractive resources and tourism**

| Region | Country | Oil-producing country | Extractive country (excluding oil) | Tourism-dependent country | Gain/loss in production compared to 2019 (GDP) |
|---|---|---|---|---|---|
| Gulf of Guinea | BENIN | x | x | x | 9.6 |
| | GHANA | x | o | x | 5.1 |
| | GUINEA | x | o | x | 12.6 |
| | IVORY COAST | x | x | x | 8.1 |
| | LIBERIA | x | o | x | 0.5 |
| | NIGERIA | o | x | x | 0.8 |
| | SIERRA LEONE | x | o | x | 0.9 |
| | TOGO | x | x | x | 6.6 |

| | | | | | |
|---|---|---|---|---|---|
| East Africa | BURUNDI | x | x | x | 0,6 |
| | DJIBOUTI | x | x | x | 6,1 |
| | ERITREA | x | x | x | 2,3 |
| | ETHIOPIA | x | x | x | 8,2 |
| | KENYA | x | x | x | 5,3 |
| | RWANDA | x | x | x | 1,6 |
| | SOMALIA | x | x | x | 0,9 |
| | SOUTH SUDAN | o | x | x | -1,6 |
| | SUDAN | x | x | x | -2,8 |
| | TANZANIA | x | x | x | 9,0 |
| | UGANDA | x | x | x | 3,8 |
| Sahel | BURKINA FASO | x | x | x | 8,7 |
| | CAPE VERDE | x | x | o | -11,4 |
| | GAMBIA | x | x | o | 4,6 |
| | GUINEA-BISSAU | x | x | x | 1,9 |
| | MALI | x | x | x | 2,4 |
| | MAURITANIA | x | x | x | 0,9 |
| | NIGER | x | x | x | 9,2 |
| | SENEGAL | x | x | x | 6,3 |
| North Africa | ALGERIA | o | x | x | -1,7 |
| | EGYPT | x | x | x | 7,0 |
| | LIBYA | o | x | x | -10,1 |
| | MOROCCO | x | x | o | -0,9 |
| | TUNISIA | x | x | x | -5,8 |
| Central Africa | CAMEROON | o | x | x | 2,0 |
| | CENTRAL AFR. REPUBLIC | x | o | x | 0,0 |
| | CHAD | o | x | x | 0,1 |
| | CONGO | o | x | x | -8,3 |
| | CONGO (DEM. REP.). | x | o | x | 6,7 |
| | EQUATORIAL GUINEA | o | x | x | -0,9 |
| | GABON | o | x | x | -0,4 |
| | SAO TOME & PRINCIPE | x | x | o | 5,2 |
| Southern Africa | ANGOLA | o | x | x | -6,0 |
| | BOTSWANA | x | o | x | -0,1 |
| | ESWATINI | x | x | x | -0,9 |
| | LESOTHO | x | x | x | -2,7 |
| | MALAWI | x | x | x | 3,1 |
| | MOZAMBIQUE | x | x | x | 1,2 |
| | NAMIBIA | x | o | x | -6,8 |
| | SOUTH AFRICA | x | o | x | -1,8 |
| | ZAMBIA | x | o | x | -2,0 |
| | ZIMBABWE | x | o | x | 0,9 |
| Indian Ocean | COMORES | x | x | o | 1,1 |
| | MADAGASCAR | x | x | x | -3,4 |
| | MAURITIUS | x | x | o | -10,6 |
| | SEYCHELLES | x | x | o | -6,9 |

*Key*: Oil-exporting countries are countries whose net oil exports account for at least 30% of total exports; other extractive countries are countries whose non-renewable natural resources account for at least 25% of total exports; tourism-dependent countries are countries whose tourism accounts for more than 5% of GDP and 30% of exports. Other countries are considered to be more diversified.
*Sources*: AFD and FMI.

## Africa in 2022: Consolidating the recovery and rebuilding sustainably

To date, forecasters from international agencies (IMF and the World Bank, among others) agree that the recovery that began in 2021 will continue into 2022. However, the recovery is likely to remain uneven and will also be subject to several key challenges. In addition to the rebound, sustainable reconstruction measures will be necessary in order to compensate for the aftermath of the crisis.

*Consolidation of growth in 2022—subject to several challenges*

Recovery is expected to continue in 2022 and become even stronger, with growth expected to reach 3.9% according to IMF and AFD estimates. The most diversified regions in West and East Africa will grow most strongly, but tourist-oriented regions will also see some growth with the gradual return of international travelers. In contrast, the extractive regions of Central and Southern Africa are expected to see weaker growth. This overall outlook is nevertheless subject to a number of uncertainties over changes in the international context, progress of the vaccination campaign, implementation of public measures to support the economy, and the mobilization of international financing. These uncertainties come on top of the risks that the continent faces every year, such as climate, security, and political risks.

**Progress of the vaccine campaign. —** Resurgence of the COVID-19 epidemic could jeopardize Africa's economic recovery. While many countries around the world have obtained enough doses to vaccinate their populations, many countries in Africa are struggling just to vaccinate their essential "frontline" workers. Most African countries will not be able to provide wide coverage—that is to say, at least 60% of the population—before the end of 2023, and the cost of the campaign would mean an increase of almost 50% in health spending according to IMF estimates. By 2023, some countries may have experienced repeated episodes of COVID-19, which would jeopardize the strength of recovery. International support for African countries to immunize their populations must be a priority, since immunization should be a "global public good": an argument reiterated by many political representatives and international organizations (e.g., the French head of state, the former German chancellor, the World Health Organization, the United Nations, and the European Union). The COVAX initiative has made it possible to distribute vaccines to forty-seven out of fifty-four African countries, but coverage is still largely insufficient: in mid-October 2021, only 7.4% of the African population had received a first dose and only 5% had received the second (by way of comparison, on the same date in France, 89% of the population over the age of eighteen had received at least one dose and 87% had received both).

**Government support for the economy. —** A sudden withdrawal of government support for the economy would be destabilizing. However, in the face of improving economic conditions, a tightening of economic policy could well be considered in some countries in order to relieve public finances and counteract high inflation (on average, inflation was 10% in Africa in 2021). Average public debt has stabilized this year after a significant increase in 2020, but will reach 66% of GDP in 2021 (compared to 28% in 2008), and seventeen countries are now classified as being at high risk of, or in, debt distress according to the IMF and the World Bank. The crisis has also weakened the financial situation of some public enterprises (e.g., national airlines) and increased contingent liabilities. To improve the sustainability of their public finances and regain investor confidence, several African countries may initiate or strengthen fiscal consolidation, despite the continued need for high expenditure and ongoing shortages in production (as in the CEMAC, for example). Since over-rapid consolidation could undermine recovery, the authorities are likely to need to prioritize spending and ensure that their support targets viable enterprises in strategic and job-creating sectors. Monetary tightening could also be considered in economies where inflation has risen due to the rebound in commodity prices and currency depreciation. Here too, central banks may need to find a trade-off between the need to control prices and the desire to encourage recovery.

**Mobilization of international funding. —** There is still a need for considerable funding to counter the crisis (see Chapter 2). According to the IMF, African countries will need to find an additional $285 billion for the period 2021–2025 to counter the numerous consequences of the COVID-19 pandemic and to step up the response (implementation of the vaccine campaign, support for the economy, and replenishment of reserves). The Summit on Financing African Economies, held on May 18, 2021 in Paris, offered some solutions to this challenge, notably through strengthening the role of regional development banks and the general allocation of $650 billion worth of Special Drawing Rights (SDRs) ($33 billion for Africa). However, to close the financing gap, African economies will also need to rely on private capital. If this funding does not materialize, many African countries may opt for greater fiscal tightening, with the risk that this may hamper growth and increase social tensions.

*Economic and social consequences of the crisis*

It will take time to overcome the profound consequences of the crisis. The recovery noted so far in 2021 appears to be insufficient to overcome its major consequences. In nearly a quarter of African countries, GDP per capita is not due to return to its pre-crisis level until 2023, at best. Of those countries, three-quarters are heavily dependent on extractive resources (Angola, the Democratic Republic of the Congo, Algeria, Equatorial Guinea, Libya, Namibia, South Africa, and Zambia) and tourism (Mauritius). At the same time, extreme poverty is expected to continue to rise even further than the increase in poverty recorded in 2020, with more than 33 million people pushed into extreme poverty as a result of the crisis. Moreover, whereas Africa was indeed the region of the world that grew the least in 2021, the continent might also post growth below the world average by one point in 2022.

The impact of the crisis on human and physical capital has been a blow to potential growth. Business failures and weakened investment caused by the crisis have slowed down the accumulation of physical capital, while, in addition to poverty, human capital has been weakened by worsening food insecurity (with 100 million people affected in Africa), rising long-term unemployment (a drop of 8.5% in 2020), not to mention school closures. The closures are estimated by the World Bank to have disrupted the education of more than 90% of students, which could cost this generation of students and hence society as a whole nearly $500 billion in future earnings due to the lower level of education achieved, lost months in schooling, and a potential increase in the school dropout rate.

*Rebuilding sustainably: For an inclusive, resilient, and green economy*

During the post-crisis period, awareness has grown of the economic, social, and climatic challenges revealed or accentuated by the crisis, and there has been an increase in concern for sustainable reconstruction. The “Building Back Better” approach adopted by many African and international representatives calls for an approach to reconstruction that avoids repeating the patterns of the past (overuse of natural resources, significant social inequalities, high dependence on extractive resources, low economic resilience to exogenous shocks, etc.). Now more than ever, these ideas need to be translated into structural reforms.

**Fostering inclusive recovery in the face of the rise in extreme poverty and job insecurity generated by the crisis. —** First, it is essential to reduce inequalities, both in terms of income—Africa being the second most unequal continent in the world after South America according to the Gini index—and in terms of access to essential services in education, health, and housing. Positive steps in this direction include the expansion of social protection programs noted in several African countries from 2020 onwards and the use of innovative digital initiatives to identify the most vulnerable (see for example the Novissi program in Togo [Houngbedji and Zanuso 2021, 86–87]). In some countries, these initiatives also aim to encourage informal workers whose vulnerability has been exposed by the crisis to join the formal economy.  This is the case in Morocco, where the project to extend social protection to all within five years will enable informal workers who register with the tax authorities to benefit from social protection.

Second, in the face of mass unemployment, the authorities in African countries seem to be more aware than ever of the importance of finding ways to create jobs to absorb the available labor force. Estimates from the International Labour Organization confirm the severe impact of COVID-19 on the African labor market in 2020, with 7.7% of working hours lost, equivalent to 29 million full-time jobs. These lost work hours include both the reduction in the number of hours worked by those in employment and the loss of some four million jobs. High population growth in Africa (2.5% on average per year) makes employment a major priority, as it means a large number of people enter the labor market each year (twenty million Africans per year, for an average of only ten million jobs created). In particular, support is needed for small and medium-sized enterprises that create jobs, thus providing opportunities for African young people.

**Increasing countries' economic and financial resilience. —** Diversification would help to make African economies more resilient. In this respect, the AfCFTA provides an important tool for transforming economies (see Chapter 4). More generally, action needs to be undertaken in various countries on the structuring of different sectors and value chains in order to support their "comeback." This is particularly important for oil-producing countries, since, against a backdrop of climate change actions around the world, countries are increasingly turning to greener energy sources.

There are also tools to unlock the growth potential of diversified countries. Some of the obstacles to growth that existed prior to the crisis are particularly obstructive. These include the perception of a high degree of risk, which is evidenced by high interest rates on treasury bonds despite low rates globally—and low factor productivity—requiring investment in human and physical capital and improved governance. To cite just a few examples, Africa still accounts for two-thirds of the world's unschooled children; only one in three Africans has access to electricity (at a cost seven times higher); and, despite significant progress in business climate reforms, only two African countries are among the top fifty countries in the World Bank's Doing Business ranking (Mauritius: 13th; Rwanda: 38th). Increasing financial resilience could also be achieved by improving efficiencies in spending and debt management, and mobilizing domestic resources (tax revenues represent less than 18% of GDP on average in Africa in 2020 and 15% in sub-Saharan Africa).

**Toward green development. —** Although the continent emits a relatively small amount of greenhouse gases, it is not free from the consequences of climate change. Between 1990 and 2014, Africa accounted for 17% of the world's population but only 3.5% of cumulative global $CO_2$ emissions. According to the ND-GAIN index, which measures vulnerability to climate risk and countries' preparedness on a scale of 100, Africa scores much lower than the global average (40 vs. 52). Climate change is likely to have major economic and social consequences, including reduced cereal yields (from 5% to 24% depending on the scenario), with corresponding effects on food security and population displacement within the continent.

## Conclusion

The recovery has been as instructive as the crisis itself. By confirming the dynamism of some countries and the fragility of others, it has been possible to better identify the measures that are essential for strengthening the continent's overall resilience. It is now essential to diversify economies dependent on extractive resources in order to reduce Africa's vulnerability to external shocks. That said, diversified economies also need to address the constraints to their growth, particularly in matters of governance and human capital deficiencies.

Increasing growth in Africa is a priority for at least three reasons. First, the timid recovery seen so far is not sufficient to compensate for the profound consequences of the crisis (falling per capita income, rising poverty, and unemployment, etc.). Second, given the region's high birth rate, growth is insufficient to meet the challenges ahead (such as improving access to basic services, creating enough jobs to absorb the labor force, etc.). Third, only strong growth will prevent the gap between Africa and the rest of the world from widening and enable the convergence process, abruptly halted by the crisis, to resume.

However, a number of different factors are needed to initiate favorable dynamics. First, there is a need for awareness of the latent challenges and a commitment to implementing appropriate structural reforms. And second, there is an urgent need for increased financing, which will not be possible without the authorities' own efforts and international support. On this last point, international solidarity is particularly vital for post-COVID-19 reconstruction, as Africa will eventually be home to the majority of the world's young people: by 2050, more than one-third of the world's young people aged fifteen to twenty-four and 40% of the world's children will live there.

**Reference list**

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