



AFRICAN ECONOMIC CONFERENCE 2021

Financing Africa's post-COVID-19 Development

Concept note and Call for papers

2-4 December 2021

Cabo Verde



I. Introduction

The 2021 edition of the African Economic Conference, jointly organized by the **African Development Bank (AfDB)**, the **Economic Commission for Africa (ECA)** and the **United Nations Development Programme (UNDP)**, is planned to be held in **Cabo Verde** from **2 to 4 December 2021**. The theme of this year's conference is "Financing Africa's post-COVID-19 development". Considering the multidimensional impact of the Covid-19 pandemic on Africa's development, this theme will bring together various stakeholders, including policymakers, the private sector, and researchers, to examine ways and means to expand Africa's development finance sources sustainably. Africa's different financing frameworks should be explored to find innovative solutions, beyond the beaten track, so that Africa does not emerge from the COVID-19 crisis with a real loss of more than a decade of efforts to strengthen its economy and human capital.

The COVID-19 crisis has exacerbated the pressure on Africa's development financing challenges by making public finances more strained, debt unsustainable, and foreign direct investment retracting. There is no better time to invite researchers, policymakers and other participants to conduct analysis, learn from best practices from Africa countries and elsewhere, and provide policy recommendations on how to rethink the development financing model for Africa towards the achievement of the Sustainable Development Goals and the aspirations of Agenda 2063.

The theme reflects the conference organizers' consensus that it is important to explore the overarching financial dimension of development that is fundamental to address all the other socio and economic impacts of the COVID-19 pandemic.

The AEC 2021 will be an opportunity to deepen the reflection on the institutions and the financial system needed to ensure effective implementation of domestic resource mobilization efforts, to improve the regulatory responses to emerging and innovative sources of finance, including international financial markets, and digital financing and to increase global financial system transparency by enhancing the regulation and supervision of under-regulated financial markets, and reducing systemic risks of banking and shadow-banking systems. It will also be a venue to discuss how the continent can address the question of debt sustainability in financing its development and, therefore, how Africa can grow and develop sustainably out of debt.

Africa will not be able to bridge the large financing gap to achieve the SDGs, estimated at \$200 billion per year, with existing government revenues and development assistance. It calls for deepening the expansion of tax bases to increase the capacity to finance public policies with own resources on the one hand. On the other hand, it implies modernizing the mechanisms for financing the economy by the national and international private sector.

The deepening of financial intermediation mechanisms and monetary policy instruments is therefore much more urgent. The monetary models of certain African sub-regions such as

West Africa are thus urgently questioned by the populations.

The shock of COVID-19 presents Africa with a game-changing opportunity to put its financing strategies on a more sustainable footing. The AEC 2021 will be an occasion to stimulate this reflection.

Diverse perspectives will be represented at the conference, which will be attended by researchers, policymakers, the private sector, financial institutions and banks, development practitioners, young people, and women from Africa and from around the world. The conference will provide a platform for established academics and young researchers to present their solution-oriented research to policymakers and decision-makers. It is expected that at the end of the conference, policy recommendations will be made on strengthening Africa's financing system to build-forward better within the framework of the United Nations decade of action for the Sustainable Development Goals.

II. Context and background

Across Africa, millions continue to be affected by COVID-19, which is in its third or fourth waves in some countries (Total cases: 4 159 055; Total deaths: 111 357; Total recoveries: 3 726 707; Total tests: 39 259 460 – April 10, 2021). Despite the start of vaccination programs in several countries, 2021 is likely to be a year of weak economic recovery across the African continent. Average economic activity in Africa is projected to contract by [3.0 percent](#) in 2020 and recover slightly to [3.1 percent](#) for 2021. This represents a drop in real per capita income of 5.3 percent, bringing per capita incomes back to 2013 levels, the worst outcome on record. The downturn is driven by Africa's two largest economies, Nigeria and South Africa, which are projected to contract by [4.3%](#) and [8.0%](#), respectively. The fall in oil prices hit sub-Saharan Africa's oil exporters hard, especially Angola, and Nigeria. Other commodity exporters and economies dependent on tourism are also facing severe contractions. Moreover, with the continent's largely non-formal economies, relatively shallow financial systems, and thin fiscal buffers, African governments lack many of the tools necessary to counteract the pandemic's varied socioeconomic impacts.

The pandemic is reversing gains in human development and poverty reduction in Sub-Saharan Africa, with between 26 million and 40 million additional people predicted to be pushed into extreme poverty (World Bank 2020). The long-term effects of COVID-19 on increasing child mortality, indirect mortality, and economic downturns by 2030 and 2050 might well exceed the extent of the initial shock (UNDP 2021).¹ Countries with low levels of government capacity and low government investment in the health system prior to COVID-19 will bear the largest burden of the pandemic's lingering social, economic, and financial impacts.

1. Unraveling the immediate and long-term effects of the COVID-19 pandemic on socio economic development in sub-Saharan Africa, UNDP 2021

The COVID-19 pandemic has further highlighted certain development challenges on the continent (weakness of the health system, lack of social protection, vulnerabilities in the informal sectors, etc.), but also revealed the potential to face them with innovations in emerging sectors (digitalization) or new dynamics in other sectors (governance). The need for transformative domestic reforms to promote resilience (including revenue mobilization, digitalization, and fostering better transparency and governance) is more urgent than ever.

The combined effects of global economic slowdown, the sharp decline in commodity prices, disruptions to domestic economic activity, and costs of measures to prevent or contain COVID-19 outbreaks have dealt an extreme shock to all African countries.

Africa's under-developed financial systems and low levels of financial inclusion lead to a savings-investment gap. The continent's investment needs are immense; estimates range from \$93 billion to \$130-170 billion per year. For sub-Saharan Africa (SSA) to achieve all of the infrastructure-related SDGs by 2030, the additional annual spending is estimated at about 9% of regional GDP. For decades, Africa has relied on external financing to accelerate its development. While Africa's borrowing has supported growth, it has also heightened the continent's debt vulnerabilities, increased the risks of debt distress, and led to a broader deterioration of public finances. Now, in the face of COVID-19, Africa's wave of debt seems finally at risk of crashing down.

The crisis is putting significant pressure on African finances, which were already strained in many countries. Governments are facing new and unexpected spending pressures in their effort to respond to COVID-19, including health costs and economic stimulus efforts. Across SSA, government revenues are projected to decline by 10-15% in 2020, with average revenue-to-GDP decreasing by 2.6 percentage points from 2019 levels. Revenue in oil exporters and tourism-dependent countries is expected to be particularly hard hit. The average SSA fiscal deficit is expected to widen to 7.6% of GDP, almost doubling the 2019 average of 4.4%. With the projected GDP growth reversals, the region's average debt level is projected to reach 64.8% of GDP in 2020 (UNDP 2020).

Access to financing amid the downturn will be a significant challenge for most African countries. Tightening global financing conditions between February and May 2020 resulted in capital outflows of nearly \$5 billion from African countries. Remittance inflows are likewise expected to decline by as much as 20 percent. African central banks have responded by easing monetary policy, in many cases significantly; the South African Reserve Bank reduced benchmark interest rates by 275 bps, the Central Bank of Nigeria injected liquidity equivalent to 2.4% of GDP into the banking system, and the Bank of Ghana agreed to finance the central government's budget deficit. Exchange rates have depreciated or been adjusted downwards in most countries, which among other impacts will increase the cost of servicing any external debts denominated in foreign currencies (UNDP 2020).²

2. COVID-19 and External Debt in Africa, UNDP, RBA, 2020.

This situation shows the need for African countries to rethink the model of financing their development. Indeed, the entire financing ecosystem of African economies must be rethought. The corruption of the judicial system which discourages the financing of the private sector by the banking sector, the lack of guarantees for rural entrepreneurs and MSMEs, the weakness of property rights, especially land rights, the unstructured management capacities of entrepreneurs in the informal sector, are all challenges of financing Africa's development which invite to rethink the financing model that we want to apply in Africa. Is it not time to develop financing and investment models that are articulated to the continent's socio-economic realities considering the level of financial literacy, the high level of informality and endogenous mechanisms for collecting savings in Africa?

The resources are there. Their mobilization requires tackling the deficiencies of the banking and state systems seriously. According to the UNCTAD's Economic Development in Africa Report 2020 an estimated \$88.6 billion, equivalent to 3.7% of Africa's GDP, leaves the continent as illicit capital flight every year. It shows that these outflows are nearly as much as the combined total annual inflows of official development assistance, valued at \$48 billion, and yearly foreign direct investment, pegged at \$54 billion, received by African countries. These outflows include illicit capital flight, tax, and commercial practices like mis-invoicing of trade shipments and criminal activities such as illegal markets, corruption, or theft.

On the government side, despite significant tax reforms, the tax revenue mobilization is limited by structural factors such as low per capita income, large informal sector, large peasant agriculture and very small manufacturing and modern services implying very low effective tax bases despite the growth profiles. The average revenue to GDP ratio in Africa has been about 23 percent, between 2008 and 2016 compared with 40 percent in the European Union in 2016. A narrow tax base focused mainly on trade taxes³ characterizes the taxation system in many African countries. The heavy reliance on trade taxation indicates relatively weak fiscal capacity which is also possibly a reluctance to invest on revenue collection capacity by the political elite in connection with the economic power.

Domestic revenue losses are significant drain on domestic resource mobilization for many countries in Africa due to the lack of coordination between investment promotion objectives and resource mobilization needs, excessive tax incentives and large drains through illicit financial flows (ECA, 2016).

The role of central banks in unlocking idle resources and channeling them into productive investments remains critical. Currently, over US\$1 trillion of excess reserves have not been effectively put to work to finance Africa's development. African stock markets could also be developed to attract further investment opportunities. The development of sovereign wealth

3. On average, trade taxation accounted for 44 percent of total tax revenues (excluding grants) in Africa, between 2008 and 2016; while direct and indirect taxation accounted for 28.3 and 22.9 percent, respectively, over the same period (Mobilizing Domestic Resource in Africa for Inclusive Growth, AfDB, 2020)

fund in African countries (15 already created) and the mobilization of African pension funds⁴ could open opportunities to a growing domestic source of capital for private equity and investment in local businesses, infrastructure projects and services that are desperately needed for Africa's continued transformation and growth. The insurance sector also has similar potential in the financing of Africa's development. Further opportunities arise through the better management and use of extractive industries. Proven stocks of extractable energy resources in Africa (oil, natural gas, coal, and uranium) worth between US\$13-14.5 trillion and identified US\$1.7 trillion of potential wealth and additional production potential in six key sectors -agriculture, water, fisheries, forestry, tourism and human capital (Africa investor 2010).

III. Objectives of the Conference

The African Economic Conference is now the leading forum for discussing Africa's issues of the day. The specific objectives of the African Economic Conference are to:

- Promote knowledge management as an important driver of policy dialogue, good policy planning and implementation.
- Foster dialogue that promotes the exchange of ideas and innovative thinking among researchers, development practitioners and policymakers.
- Encourage and enhance research on economic and policy issues related to the development of African economies by promoting evidence-based policymaking.
- Provide an opportunity for young African researchers, Africans in the Diaspora, and organizations to share knowledge with policymakers; and
- Serve as a platform for researchers, policymakers, and private sector operators to meet and have consensus on regional and continental integration as an instrument to accelerate Africa's inclusive and sustainable development.

Since its inception in 2006, the AEC series has fostered dialogue and the exchange of knowledge on a variety of issues and challenges that Africa is facing (see Box 1).

Box 1. Past themes of the African Economic Conference

1. AEC 2006 - Accelerating Africa's Development Five Years into the 21st century.

4. Estimated at over US\$29 billion by Ashiagbor et al., 2014

2. AEC 2007 - Opportunities and Challenges of Development for Africa in the Global Arena
3. AEC 2008 - Globalization, Institutions and Economic Development of Africa
4. AEC 2009 - Fostering Development in an Era of Financial and Economic Crises
5. AEC 2010 - Setting the Agenda for Africa's Economic Recovery and Long-Term Growth
6. AEC 2011 - Green Economy and Structural Transformation in Africa
7. AEC 2012 - Fostering Inclusive and Sustainable Development in Africa in an Age of Global Economic Uncertainty
8. AEC 2013 - Regional Integration in Africa
9. AEC 2014 - Knowledge and Innovation for Africa's Transformation
10. AEC 2015 - Addressing Poverty and Inequality in the Post 2015 Development Agenda
11. AEC 2016 – Feed Africa: Towards Agro-Allied Industrialization for Inclusive Growth
12. AEC 2017 – Governance for structural transformation
13. AEC 2018: Regional and Continental Integration for Africa's development
14. AEC 2019: Jobs, Entrepreneurship and Capacity Development for African Youths
15. AEC 2020: Africa beyond COVID-19: Accelerating towards inclusive sustainable development

IV. Format of the Conference

The sixteenth edition of the conference will be organized in a hybrid format (with a **virtual and in-person mode**). Thus, depending on the evolution of the COVID-19 pandemic in 2021, it will be possible to switch to a completely virtual mode if the situation requires it.

The conference will be organised around 3 pillars under which parallel sessions will allow the presentation of the papers selected to focus on key solutions to rethink Africa's development financing and resilient economic recovery. The three pillars are as follows:

1. Domestic Public and Private Resource Mobilization in the age of the digital revolution – Under this pillar, conference organizers will solicit papers that analyse the taxation system in Africa in different dimensions (tax base, fiscal space, efficiency, natural resource management,

informal sector etc.), and the national financial sector. A particular interest will be paid to the analysis of the use of digital technology for the mobilization of domestic public and private resources, the mobilization of natural resource revenue and to the impacts of the AfCFTA on tax systems. The articles will help deepen the analysis of the obstacles to the implementation of the recommendations usually made for improving the mobilization of public domestic resources in Africa, the governance reforms for an efficient financial system, innovative financial tools (capital market, PPP etc.), monetary policy and regulations for Africa's finance sector development.

2. Leveraging international private and public financial system for Africa's development – Papers under this pillar will examine how Africa can escape external debt distress in its post-COVID-19 development and what reforms of the international financial architecture and tools (FDI, Special Drawing Rights, ODA, remittances, green financing, sovereign risk, etc.) can build the new consensus necessary for financing Africa's achievement of the SDGs. The extension of international capital markets to financing Africa's development will be a key aspect to consider.

3. Towards resilient recovery and sustainable development with a renewed financing model – this pillar will explore the possibilities to build a more resilient development through social protection, inclusion of the informal sector in the financing framework of Africa's development. Papers are expected to explore how Africa's financing approach should be renewed for a resilient and sustainable development after the COVID-19 crisis. They will analyse how African countries can leverage the innovations and digital space created by the fourth industrial revolution to respond to emergencies and spur inclusive growth. Papers will provide guidance on how economic transformations can be accelerated through strategic investments in infrastructure, connectivity, water, energy, and human capital.

The African Economic Conference 2021 will offer a unique avenue for researchers, policymakers, and development practitioners to debate and build knowledge on solutions for continental integration. The debates will focus on using three pillars to propel innovative solutions to impediments of financing Africa's development.

Table 1: Annotated Time Frame

Description	Deadline date
Call for papers	24 April 2021
Deadline for paper submissions	5 August 2021
Notification of final acceptance	15 September 2021
Last day for registration for presenters	31 October 2021
Conference dates	2 – 4 December 2021

VI. Expected outputs and outcomes

The outputs of the conference are expected to include:

- A conference report.
- A compilation of the proceedings of the conference, incorporating relevant comments and feedback from a peer review and from conference participants (may be issued after the conference).
- Inclusion of selected papers in special issues of the African Development Review and the Journal of Africa's Transformation.
- Policy briefs.
- Market platform for economic research in Africa.