



## Opening remarks

Delivered by

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*Financing Africa's post-Covid-19 Development*

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Cabo Verde



African Development Bank Group

Economic Commission for Africa

United Nations Development Programme

Protocols:

- H.E. Mr. José Maria Neves, President of the Republic of Cabo Verde.
  - Honorable Ministers.
  - Ms. Vera Songwe, UN Under-Secretary General and Executive Secretary, United Nations Economic Commission for Africa.
  - Mr. Achim Steiner, Administrator, United Nations Development Programme.
  - Ambassadors and Heads of Diplomatic Missions.
  - Researchers and Scholars from Africa and the rest of the world.
  - Distinguished participants,
  - Ladies and Gentlemen:
1. I am pleased to welcome you to the African Economic Conference 2021, jointly organized by the United Nations Development Programme, the United Nations Economic Commission for Africa, and the African Development Bank Group.
  2. I would like to express the Bank Group's profound gratitude to the government and people of Cabo Verde for the warm welcome to this beautiful and dynamic country.
  3. I bring you warm greetings from Dr. Akinwumi Adesina, the President of the African Development Bank Group, who is unable to join us for this year's conference.
  4. President Adesina has asked me to convey his best wishes for fruitful discussions in identifying sustainable ways to enable Africa to finance its recovery from the COVID-19 pandemic and emerge more resilient than ever.
  5. The theme for this year's conference, "**Financing Africa's post-COVID-19 Development**", is very timely. The pandemic has had and continues to have significant socioeconomic impacts. As well it puts tremendous pressure on Africa's development financing challenges.

6. Since the start of the pandemic on the continent in February 2020, Africa has seen more than 8 million confirmed COVID-19 cases, resulting in over 200,000 deaths, and counting. The pandemic could push up to 40 million people into extreme poverty if no action is taken.
7. The rollout of vaccination programs in Africa has been slow; and the emergence of new COVID-19 variants with multiple mutations, has thrust many countries into another wave of the deadly virus.
8. Beyond the human tragedy, the economic impact of COVID-19, has included permanently closed businesses, long-term employment losses, and delays to academic calendars — all of which have long-term negative impact on people’s lives.
9. Africa’s real GDP growth is expected to average 3.4% in 2021, after contracting by 1.8% in 2020, making this the continent’s first recession in over half a century.
10. Between 2021 and 2023, real GDP growth is expected to remain below 4%. The pandemic has highlighted the need for transformative domestic reforms to achieve key development objectives, including stronger health systems, social protections, and debt sustainability.
11. By putting significant pressure on already strained government finances in many countries, the pandemic is forcing African countries to rethink the prevailing development finance model. Many would argue that the entire financing ecosystem of African economies should be rethought — including from a legal perspective to facilitate the financing of the private sector, the strengthening of property rights, and access to guarantees for micro, small, and medium-sized enterprises.
12. The challenges of financing Africa’s development must be tackled collectively. This conference therefore provides a platform to explore ways and means to expand Africa’s development finance sources.

13. Your Excellencies; Ladies and Gentlemen:
14. While the full impact of the pandemic and when it might end is difficult to predict, there is hope that Africa will emerge more resilient. Commodity prices are on the rise, stringent pandemic measures are being relaxed, global trade is recovering, and capital inflows have picked up again.
15. There is hope for greater vaccination rates on the continent as more vaccines become available.
16. Hope that prudent monetary and fiscal policies will be given priority by African governments.
17. Hope in the lessons learned from the past year and a half on harnessing digital technology to shape the work environment and ensure business continuity.
18. And hope that the fostered dialogue and exchange of knowledge regarding the financing of Africa's development, post-COVID-19, during this conference will deepen analysis of current challenges and lead to fruitful implementation of recommendations across the continent.
19. Prior to the pandemic, the African Development Bank Group had estimated that Africa's infrastructure investment needs alone could range from \$130 billion to \$170 billion per year, creating an annual financing gap of \$68-108 billion. The health infrastructure financing gap was estimated to be about \$26 billion annually.
20. With the pandemic that has laid bare the urgent need to build quality healthcare infrastructure and pharmaceutical manufacturing capacity, these investment needs have increased further. The Bank Group estimates that African governments would need about \$484 billion within the next 3 years to address the socio-economic impact of the pandemic and support economic recovery.

21. Despite significant strides made by African governments to improve the continent's financial systems and increase the levels of financial inclusion, much more needs to be done to reduce the existing savings-investment gap.
22. The new wave of the pandemic along with the extended government relief actions that accompany it are also expected to put further pressure on the debt situations of many countries. This is particularly worrying in African economies, where the debt-to-GDP ratio is estimated to increase by 10 -15 percentage points by the end of 2021 relative to the previously stable debt-to-GDP ratio of around 60%.
23. The pandemic has also caused a decline in access to international capital markets with the widening of spreads on African sovereign bond yields due to investors' greater perception of risks and capital flight from Africa, estimated at over \$90 billion in 2020.
24. Remittance inflows, the most important source of financial inflows to Africa, have declined by about 6% between 2019 and 2020. And the same declining trend has been observed for foreign direct investment, official development assistance, and portfolio investments.
25. Government revenues are estimated to have declined on average by 10 to 15% in 2020 across sub-Saharan Africa, with average revenue-to-GDP decreasing by 2 percentage points to 18% in 2020, from about 20% in 2019. Some estimates in 2020 indicated that COVID-19 restrictions would contract African exports by 17%, resulting in a 5% drop in public revenue losses.
26. For this reason, it is vital that African countries increase their tax base by addressing structural bottlenecks such as weak organizational structures, low capacity of tax officials and a lack of modern, computerized, risk-management techniques.
27. Without a doubt, financing from conventional sources has become more challenging than ever. Nevertheless, it is important to point out that the resources

are there. Mobilization of available resources will require a serious attempt to address the deficiencies of the banking and financial systems, as well as in the public sector. That's why we must support the appropriate formulation of policies that deliver tangible impacts in this regard. I am confident that deliberations in this conference will contribute to such a policy agenda.

28. Your Excellencies; Ladies and Gentlemen:
29. In the same manner that the pandemic has inspired innovative approaches in sectors such as health, education, and e-commerce, transformative development financing models should also be encouraged.
30. Digitalization can create new dynamics in governance and help improve the management of existing resources, curb illicit financial flows, and potentially free up capital for more productive uses. It could also facilitate coordination amongst the various government entities focused on resource mobilization, such as tax agencies, investment promotion units, central banks, and the treasury. African countries must urgently leverage digital technology to improve efficiency in tax collection and revenues.
31. Going digital would help streamline the often-cumbersome processes in accessing African stock markets and reduce information asymmetries between investors and investees, especially in the private equity/venture capital space. Indeed, the development of stock markets, sovereign wealth funds, pension funds, and the insurance sector would be crucial in financing Africa's development.
32. With this in mind, we as policymakers, researchers, development partners, and champions of policy change are challenged to put forth financing mechanisms that leave no country or community behind.
33. For its part, the African Development Bank Group has deployed a mix of financing instruments to support regional member countries to combat the

COVID-19 pandemic and its impact, including building a strong and resilient economic system for Africa.

34. In 2020, the African Development Bank Group disbursed \$7.3 billion, a 40% increase from the \$5.2 billion disbursed in 2019. Volumes were boosted by a rapid increase in disbursements from the COVID-19 Crisis Response Facility (\$3.02 billion, or 39% of the total Bank Group disbursements) as the Bank Group supported Regional Member Countries in fighting the Covid-19 pandemic. Over 80% of the approved operations were in the form of Crisis Response Budget Support operations, prepared in response to the COVID-19 pandemic.
35. Last month, the African Development Bank Group, the African Union Commission, and the United Nations Economic Commission for Africa pledged to work more closely with governments by providing financial and technical assistance to beef up land governance systems. Land governance is seen by many to be an influential enabler in the transformation of African food systems.
36. Not only would this help address concerns about hunger on the continent, but it could also contribute to the generation of higher revenues by reducing a major cost of economic activity for marginalized populations. This is especially true for smallholder farmers, who make up more than 60% of the population of Sub-Saharan Africa with about 23% of GDP coming from agriculture.
37. Together with regional institutions, the African Development Bank Group is committed to building a resilient and forward-looking financial system for Africa. The pandemic provides the opportunity to creatively brainstorm on ways to both improve the region's ability to access financial resources needed to build resilient African economies. This knowledge must be converted into policy actions and result in operational guidance in a timely manner.
38. I conclude by acknowledging and thanking the talented minds who have joined us at this conference. This conference offers a unique opportunity to come up with practical financing solutions to recover the economic and social gains that we have been building for decades.

I thank you and wish you fruitful deliberations.

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