AEC 2020: Experts warn COVID-19 could further impact Africa’s sustainable development if not properly addressed

By Frank Kanyesigye

Research experts have warned that the COVID-19 pandemic in Africa could further constrain the continent’s sustainable development if the right actions are not taken to deal with the virus. They were speaking at a session called: “The implications of COVID-19 for sustainable development in Africa – the environment and economic transformation” on Tuesday, the first day of the African Economic Conference (AEC) 2020 virtual event. The African Development Bank (AfDB), the United Nations Economic Commission for Africa (ECA) and the United Nations Development Programme (UNDP) are hosting the event.

Yohannes Hailu, from the Private Sector Development and Finance Division at ECA, said “COVID-19 has presented numerous challenges to the sustainability of African economies most especially regarding social, economic and environment. It’s time for Africa to build resilient economies based on the right post-COVID-19 approaches.” He added that to help address the devastating economic and social consequences of the pandemic, a comprehensive global response package is needed.

Abdulrasheed Isah, who presented a research paper titled; “How is COVID-19 Pandemic Affecting Electricity Access in Africa? Evidence from Nigeria,” said that the country has an energy access plan in place as part its economic recovery strategy from the Coronavirus. Isah suggested that African countries should consider reducing the cost of electricity for consumers, to help mitigate the economic challenges of...
COVID-19, especially on small and medium scale companies.

The session brought together research experts, officials and economists, all sharing ideas about how to build resilient African economies post the COVID-19 pandemic.

Another expert, Adebayo Ogunniyi from Nigeria, said that Small and Medium Enterprises (SMEs) across the continent, but especially in Nigeria, have suffered severe setbacks, with sales and production particularly hard hit. He said, “There have been temporary reductions in employment opportunities, most especially in the construction and manufacturing sectors, due to the outbreak of COVID-19 and the resultant lockdowns. Ogunniyi added that the majority of SMEs in Nigeria had temporarily closed during the first COVID-19 outbreak, which took a heavy toll on employees, owners and their families. He stressed that if the right actions to address the impact of COVID-19 are not properly implemented in Africa, the pandemic will continue to negatively affect SMEs, and significantly reduce government revenue.

Yesuf Muhamednur Awel from the ECA Macroeconomics and Governance Division, said that COVID-19 has compelled African businesses to rethink their strategies and plans as they recover from the pandemic shock. He called on countries in Africa to create conditions that will enable entrepreneurship and innovation to thrive in the post-COVID-19 environment.

The 2020 AEC, with the theme, “Africa beyond COVID-19: accelerating towards inclusive sustainable development” is jointly organized by the UNDP, ECA and the AfDB. The virtual conference brings together various stakeholders, including policymakers and researchers, to examine the socio-economic impact of COVID-19 and measures to mitigate and recover from the pandemic. In particular, the conference is focusing on how African countries can build resilience and be better prepared to deal with future impactful events. It will offer best practices from Africa and elsewhere, on how African economies can accelerate progress towards achieving the Sustainable Development Goals and the aspirations of Agenda 2063.
Dealing with the micro- and macroeconomic impacts of COVID-19 on Africa

By Berna Namata

Experts agree that Africa’s governments will have to strike a balance between health, economic and social policy interventions in the coming months to mitigate the negative impact of the COVID-19 pandemic. Measures to prevent the spread of the virus have dampened prospects for economic growth on the continent, due to the prolonged impact of lockdowns and restrictions on travel and movement of goods.

The impact of COVID-19 on Africa was underscored on Tuesday during a session on its socio-economic effects at the Africa Economic Conference hosted by the Economic Commission for Africa (ECA), the Africa Development Bank (AfDB) and the United Nations Development Programme (UNDP).

Presenting a paper titled, “COVID-19 in Africa: The implications for macroeconomic and socioeconomic dimensions,” Mma Ekeruche said that while Africa’s young population shielded it from the worst of the pandemic, countries now face weak growth and a diversion of resources that may aggravate the economic impact of COVID-19. She argued that in the face of dwindling resources, the continent’s policymakers will have to implement a wide range of macroeconomic policy measures to recover faster.

According to Mila Malavoloneke, who presented a paper called, “Rethinking China-Africa trade relations: The impact of a Sino-Africa FTA on trade balance”, Africa’s trade with China has been severely affected as manufacturing facilities in that country shut down during the pandemic.

“With COVID-19, the challenge with the supply chain increased - some African countries had certain products disappear when China went into lockdown. Manufacturing was halted during the lockdown,” she said, adding that countries have to implement structural reforms to address the existing production capacity.

She argued that China is a strategic commercial partner for Africa, although there is a need to address the industrial divide for the continent to make significant gains.

Malavoloneke said, “There is a need to examine existing preferential trade agreements,” and African countries should boost trade by looking at negotiating a free trade area with China.

However, Rachael Nsubuga from ECA’s Sub-regional Office for Eastern Africa, challenged the idea of using the African Continental Free Trade Area (AfCFTA) as a benchmark to negotiate other free trade agreements. “Meaningful growth will only happen if this FTA happens at 100 percent liberalization which is not realistic. Model results show no economic benefits for Africa (worsened trade deficit) to support the formulation of the FTA (with China),” Nsubuga said, commenting on the paper’s findings and recommendation for an FTA with China. She added, “I agree with the authors, we need to examine existing trade agreements between China

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COVID-19 in Africa: The implications for macroeconomic and socioeconomic dimensions

PRESENTATION BY
MMA AMARA EKURUCHE

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and Africa like the China duty free /quota free market access for LDCs into the African market."

Another paper presented during the session was, “Income-related health inequalities associated with the Coronavirus epidemic in South Africa: A decomposition analysis” by Chijioke Nwosu. He used national surveys to compare the health situation before and during the pandemic, finding that poor health worsened in vulnerable households. He recommended addressing income and racial inequalities as key to mitigating the negative impact of the COVID-19 pandemic, and improving health outcomes for vulnerable populations.

However, Sidzambnoma Nadia Denise Ouedraogo, Sub-Regional Office for West Africa, ECA, queried the reliability of the data used in the research. She pointed out possible problems, “the sample of 4 000 is relatively small and the date of the data of the survey collected. Indeed, we know that African countries started feeling the negative impact of the pandemic in February - March but the data of the survey has been collected in June.” She advised Nwosu to look for another motivation for the paper, such as quantifying the impact of the pandemic on healthcare in South Africa.

The 2020 edition of the African Economic Conference is being held virtually from 8 to 10 December 2020. The conference provides a platform for academics and young researchers to present solution-oriented research to policymakers.
Beyond the dark cloud of the COVID-19 pandemic is a silver lining of a more sustainably prosperous Africa. This was the message from the panelists who gathered virtually on the first day of the 2020 African Economic Conference.

They were speaking during the first session, exploring an inclusive and sustainable economic solution for Africa following the adverse social and economic effects of the COVID-19 pandemic. To emerge stronger from the pandemic, African governments were advised to put in place transparent and accountable governance structures, that would ensure inclusivity and fiscal sustainability.

Dr. Hanan Morsy, Director of the Macroeconomic Policy, Forecasting and Research Department at the African Development Bank (AfDB), said the pandemic gives a “one-in-a-century chance” to build a better Africa going forward. She referred to concerted efforts by several African governments to leverage on digital technologies such as online learning as a means to curb the spread of the novel Coronavirus.

Dr. Morsy was joined by speakers from the Economic Commission for Africa (ECA) and United Nations Development Programme (UNDP).

Although economic growth in most African countries was on a positive trajectory pre-COVID-19, debt vulnerabilities had started manifesting. And with the adverse effects of the pandemic, most of the countries’ governments were forced to increase spending to boost their health systems, forcing them into more debt. However, Bartholomew Armah, the Director of the Macroeconomics and Governance Division at ECA, allayed fears over the high debt levels, noting that with time, domestic sectors such as manufacturing would pick up. He called for recapitalization of multilateral banks such as the African Development Bank, to continue providing concessional loans to African countries during this period. He added that, “Multilateral development banks need to be less conservative in lending processes to provide more resources.”

Dorothy Jane Anika, the Convener of Young Women in Political Party Leadership (Kenya), called for people, especially women, youth and minorities to be at the heart of budgeting. “People need to see the human face and human feeling in the response to COVID-19,” Anika said.

Sanjay Pradhan, Chief Executive Officer at Open Government Partnership, described COVID-19 as a “a crisis in democracy”, warning that with a lot of money going into stimulus packages, there is a
risk of engendering corruption. But he pointed out that there have also been encouraging examples of how governments have been working together with civil servants to address some of these challenges.

Pradham insisted that the goal of a stimulus package should be to help get people out of poverty, rectify societal inequities, and build a citizen-centred democracy.

Dr Morsy added that the priority of any intervention should be to save lives and livelihoods, while expanding the efficiency of safety nets. She also said it was important to support viable companies facing liquidity constraints. But even more critical for a continent that has no fiscal space, there was a need for Africa to get the most returns possible from the limited resources it has.

The three-day event hopes to find solutions for a continent that has been hit hard by the pandemic, reversing years of progress that many countries had made in the fight against poverty and unemployment.
How the digitalization of African trade will help realise the AfCFTA

By Berna Namata

Participants at the 2020 edition of the African Economic Conference have been told that digitalization of trade across the continent can significantly boost free trade in Africa, helping to realize the objectives of the Africa Continental Free Trade Agreement (AfCFTA). The virtual 3-day event kicked off today in Addis Ababa.

“In order to properly implement the AfCFTA, we are going to need digitalization in two aspects - digital and virtual services themselves and everything that delivers across finance, remote health, agriculture and education. The second is the enabling exercise that digitalization gives particularly for trade and in the different sectors. Making sure that these gains are actually realised takes a multisector, multifactor effort,” said Tunde Fafunwa, ECA Lead Advisor, at a session called, “Realizing the AfCFTA Promised Gains: Fostering Implementation through Digitalization and Comparative Experiences from the Global South”.

The AfCFTA seeks to create an integrated African market of 1.27 billion consumers, which is expected to reach 1.7 billion by 2030, with an aggregated gross domestic product of up to US$3.4 trillion.

Ongoing research led by experts at ECA and the United Nations System Staff College (UNSSC) aims to document the opportunities, challenges and the role of digitalization in the implementation of the AfCFTA. It looks at case studies in some regional economic communities such as EAC, SADC and COMESA, where digitalization is already happening, and draws some comparative lessons for the implementation of AfCFTA.

“We do not want the report to be an academic study, we want the report to contain policy recommendations that will be practical, and resource oriented for our policymakers especially capacity building. In order to implement AfCFTA, we will need to keep on building capacities on the continent and in this report, we want to put emphasis on how we can leverage digitalization to build capacities to implement AfCFTA,” said Bineswaree Bolaky, presenting the overall objectives of the study.

However, various issues such as harmonising standards and improving the existing legal frameworks; enacting cybersecurity, consumer and data protection laws; and reducing the high cost of access all need to be addressed in order for Africa to take advantage of digitalization.

More also needs to be done to facilitate electronic transactions to drive e-commerce and step up investments in ICT infrastructure for the digital economy to develop.

Panellists highlighted the need for policies to create an enabling environment for productive digital trade. “Digital solutions can be the norm right from the start,” said Trudi Hartzenberg, Executive Director at TRALAC, adding that the COVID-19 pandemic has boosted digitalization and Africa now has a chance to leapfrog as the AfCFTA is a new agreement.

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Temilade Abimbola, Lead Corporate Officer in the Office of the AfDB President, said there is a need to pay attention to creating an enabling environment to facilitate digitalization, which, she argues, offers the best opportunity for Africa to harmonise standards to facilitate trade.

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**AEC Programme highlights**

**DAY 3 | Closing ceremony/remarks**

**Moderator:**

**DR. HABAN MOKGY**
Director of Macroeconomic Policy, Forecasting and Research Department, African Development Bank (AfDB)

**DR. BARTHOLOMÉE ARMAHA**
Director of Macroeconomics and Governance Division, UNDP

**DR. RAYMOND GILPIN**
Chief Economist and Head of the Strategy, Analysis and Research Team, UNDP Africa