

Africa Post-Covid: Why It is Time for a New Social Contract

Economic Commission for Africa – Keynote

Minouche Shafik, Director, London School of Economics

22 March 2021

Your Excellencies, it is such an honour to be able to speak to such a distinguished audience at this critical time. My thanks to Vera Songwe, Executive Secretary of the Economic Commission for Africa, for inviting me to join you.

I want to focus my remarks on why this crisis is an opportunity to define a new social contract in Africa drawing on a book I published this month called *What We Owe Each Other: A New Social Contract*. The opportunity comes from the fact that many African countries are in the midst of transitioning from social contracts that relied heavily on families to support the young, the old, the sick and the unemployed to one where society helps to carry some of those responsibility in exchange for everyone contributing to the common good through work and paying taxes for as long as possible. The goal would be to get a better balance of security and opportunity across the continent drawing on lessons from this crisis.

Let's start with security. What I think worked well in many African countries during the pandemic is the security that was provided by cash transfer schemes. Most countries had some mechanism to get cash into the hands of the poorest families. Some increased the amounts because of the pandemic knowing that household incomes would be adversely affected. Having that delivery infrastructure in place was hugely beneficial and protected the most vulnerable. We know from 100s of randomized control trials that these cash transfers are effective at improving nutrition, school attendance and productivity.

But the crisis also underlined the urgency of achieving universal health care across Africa. Here the story is more mixed, but the objective is clear. The World Health Organisation recommends that an essential health package, to be made universally available, consists of prenatal care, immunizations and treatment of communicable diseases such as pneumonia and tuberculosis, bed nets against malaria, treatment of cardiovascular illness and access to hospitals, medical staff and medicines. They recommend governments spend about 5% of GDP to achieve this minimum universal coverage. Many developing countries are choosing a two-tier model whereby the poor and those in the informal sector are covered through a public system managed by the government and paid for through general taxation, sometimes supplemented by contributions from households. Those employed in the formal sector, meanwhile, contribute through a payroll tax to an insurance-based system, while the better off have the options of buying insurance on the private market.

But the pandemic has also shown us that we can do much more digitally than we ever thought possible. Many developing countries will never be able to achieve universal health care based on the prevailing model in which medical interventions take place in dedicated facilities overseen by highly trained doctors. Digital technologies open up the possibility of completely new models of care such as telemedicine, patients having access to high quality information and controlling their own medical records, wearable devices to monitor vital signs like temperature, blood pressure and oxygen saturation at home at low cost, and artificial intelligence to aid diagnosis and robotic delivery of many procedures. In isolated parts of Rwanda and Tanzania, drones are already being used to deliver vaccines and blood. In future, it will be possible to receive treatment from a doctor or health

care professional located anywhere in the world. (One effect of this may be to reduce the pressure on health care workers migrating in pursuit of greater earnings).

Just as Africa leapfrogged to mobile phone technology without ever building a fixed line network, I think there is a real opportunity for Africa to use digital technologies to leapfrog to a better, more cost-effective system of universal health care.

Let me know turn to opportunity. With the exception of a few countries, I think it is fair to say that the economic consequences for Africa have been more severe than the health ones. The first recession in a quarter of a century, limited fiscal space and high debt levels constraining government action, and continuing uncertainty around how to create livelihoods for a growing young population.

Again, let me start with what has gone well. Almost every country in Africa has achieved universal primary education and is on its way to universal secondary education. That is a huge achievement. As many girls are in school as boys in most countries and that has contributed to lower population growth and even higher levels of female employment. There are challenges around quality, disruptions caused by the pandemic and questions about how to use digital technologies more effectively. But here again, I think there are real opportunities for Africa to leapfrog to blended learning models that will be more cost effective and higher quality.

But future growth will increasingly be digital and, as the very good issues paper prepared for this event says, Africa will need to invest in digital skills, digital infrastructure and middleware to create growth opportunities in agriculture, manufacturing and services. It will not be possible to follow the East Asian model of using export-oriented labour-intensive manufacturing as your engine of poverty reduction and growth. Africa is making the transition to middle and hopefully high-income status in the digital age and your strategies for providing opportunity to your citizens will have to reflect that. A new social contract would provide citizens with the support to engage in the digital economy, enable them to do so in the formal sector, provide public services such as health and education that are digitally enabled and encourage people to work and pay taxes for as long as possible to contribute to the common good. For governments, that means making sure everyone, from farmers to physicians, has access to the skills and tools to seize opportunities in the digital age.

In the beginning of the covid crisis, many spoke of a trade-off between lives and livelihoods. Then we learned that the two are completely intertwined. A better social contract would provide security for all lives and opportunity for all livelihoods.