

Statement by

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Under-Secretary-General of the United Nations

Executive Secretary of the Economic Commission for Africa

**|Fifty-second session of the Conference of African Ministers of
Finance, Planning and Economic Development**

Ministerial segment

Fiscal policy, trade and the private sector in the digital era

Excellency, Mohamed Benchaaboun, Minister of Finance and Economy, Kingdom of Morocco,

Excellency, Amina Mohammed, Deputy Secretary-General of the United Nations,

Excellency, Sarah Mbi Enow Anyang Agbor, Commissioner for Human Resources, Science and Technology,

Excellencies, Ministers;

Excellency Elsadig Bakheit Elfaki Abdalla, outgoing Chair of the Bureau,

Ambassadors and Heads of Mission,

Special invited guests,

Members of the media,

Distinguished Ladies and Gentlemen,

It is an honour to welcome you all to the historic city of Marrakech, for the fifty-second session of the Conference of African Ministers of Finance, Planning and Economic Development.

On behalf of the Economic Commission for Africa, I would like to express my profound gratitude to the Government and people of the Kingdom of Morocco for their cooperation and generosity in hosting this year's meeting. I would like to make particular mention of:

His Excellency Nasser Bourita, Minister for Foreign Affairs and International Cooperation,

His Excellency Mohammed Arrouchi, Ambassador of Morocco to ECA and the African Union, and all the respective teams who worked hard to make this meeting possible.

Excellencies, Honourable Ministers, Distinguished Ladies and Gentlemen,

Our gathering here in Morocco is testament to the long-standing cooperation between the Government and people of Morocco, and the Economic Commission for Africa. Indeed, as ECA celebrates its sixtieth year, it is also noteworthy that it has been almost

60 years since the second session of the Conference of Ministers was held in Tangiers, Morocco in January 1960.

For us at ECA, our sixtieth anniversary has presented an opportunity for reflection on how we work, and on what we deliver to our member countries. While we celebrate our successes and achievements on the occasion of ECA at 60 years, we at ECA are more than ever determined to leverage our strengths to better serve member countries to help them realize the “Africa We Want”, and overcome visible and non-visible constraints, in the context of a rapidly changing world.

In this context, our vision is “ideas for a prosperous Africa”; and our mission is “to deliver ideas and actions for an empowered, inclusive and transformed Africa”.

As the African continent’s foremost think tank, ECA will generate relevant knowledge and applied policy research to guide member countries in their path towards sustainable and inclusive development.

Utilizing our convening power, ECA will continue to provide intergovernmental platforms where stakeholders can discuss and

identify solutions to transboundary, sub regional issues and other issues of common concern.

At the operational level, we will continue to support efforts by African countries to implement innovative solutions, and we will provide them with the training, capacity development and support they need to move forward.

Excellencies, Honourable Ministers, Distinguished Ladies and Gentlemen,

The theme for this year's Conference of Ministers is "Fiscal policy, trade and the private sector in the digital era: a strategy for Africa". It provides the context for us to deliberate on three topical issues of concern for all our member countries today, namely resource mobilization, job creation and inclusive growth. It also focuses our thoughts on the opportunities offered by rapid digitization to address these pertinent issues.

Please allow me to set the discussion of this theme in the broader context of growth and poverty reduction on the continent.

After a period of subdued growth, Africa's growth prospects are beginning to improve. Growth in 2019 is expected to reach 3.4 per

cent, up from 3.2 per cent in 2018 as a result, primarily, of strengthening global demand for African products, increasing oil production and rising oil prices, robust private consumption, and sustained infrastructure investment. Despite this positive trend, levels of growth vary significantly among the five African sub regions. East Africa, which comprises a number of non-resource rich economies, is making the most significant progress: growth is projected to reach 6.2 per cent in 2019 thanks to rising government spending on infrastructure, and rapidly expanding construction, real estate and retail sectors.

On the other hand, Southern Africa, despite its recent economic recovery, is expected to see growth of only 2.1 per cent this year. It is also noteworthy that, even though some of Africa's largest economies, including Angola, Nigeria and South Africa are rebounding, thanks to rising private consumption, overall growth levels remain low. However, per capita growth rates in all subregions on the continent are insufficient to keep up with population growth rates.

Indeed, overall, growth levels on the continent remain below what is needed to achieve the Sustainable Development Goals. To achieve those Goals, Africa needs to triple its 2018 growth rate of 3.2 per cent. This will require an increase in investments and productivity. Moreover, GDP per capita growth at 0.6 per cent in 2018 is too low to make a significant dent on poverty and inequality.

Poverty levels on the continent remain shockingly high. Even though the proportion of Africans living in extreme poverty declined from 57 per cent in 1990 to 43 per cent in 2012, within the same period, the total number of people living in poverty in Africa increased from 287.6 million to 388.8 million.

ECA recently launched an African poverty clock to help policymakers on the continent to assess how we are doing in the area of poverty reduction in real life, and in real time. As of today, the clock shows that more than 400 million people in Africa, equivalent to about 33 per cent of the population of the continent live in extreme poverty. The clock shows that, on this day, 25 March 2019, over 5,000 people have escaped poverty, but a similar have also fallen into poverty.

To set Africa firmly on the path towards economic and social transformation, it is imperative to focus on sustainable reforms, investment and innovation.

Excellencies, Honourable Ministers, Distinguished Ladies and Gentlemen,

At the heart of this discourse is fiscal policy, which can serve as an effective tool for development. It is therefore imperative to identify how African countries can leverage fiscal policy to achieve

inclusive growth, the SDGs and implement Agenda 2063 of the African Union.

Africa faces a huge and rising financing gap that is impeding its efforts to foster development. The infrastructure gap, which is a major constraint to improving productive capacity, is estimated to be between \$130 billion and \$170 billion annually, of which the continent raises approximately 50 per cent. More broadly, for Africa to achieve the Goals set forth in the 2030 Agenda, its incremental financing needs are estimated to range between \$614 billion and \$638 billion per year, while for the funds needed to implement the 2030 Agenda in low-income countries and lower middle-income countries total \$1.2 trillion per year. This translates into an estimated 11 per cent of GDP between 2015 and 2030.

Notwithstanding this huge financing gap, African countries have the potential to increase government revenue by between 12 and 20 per cent of GDP by adopting appropriate fiscal policies; taxing hard-to-reach sectors such as agriculture, the informal sector and the digital economy; improving mobilization of non-tax revenue; leveraging the use of information technology and digitization to widen the tax base, reduce revenue collection costs and improve tax administration mechanisms; and strengthening policies that tackle base erosion and profit shifting, tax avoidance and tax evasion.

Excellencies, Honourable Ministers, Distinguished Ladies and Gentlemen,

Another important dimension of the growth and poverty reduction debate is centred on the private sector and trade.

The private sector is the engine of Africa's economy, and accounts for over 80 per cent of total production, two thirds of total investment, and three fourths of lending within the economy. The private sector also provides jobs for about 90 per cent of the employed working-age population.

Nevertheless, jobs in the private sector are often informal and characterized by low productivity. Indeed, the informal sector accounts for 40 per cent of Africa's economy and more than 60 per cent of employment. Permanent wage jobs in the private sector account, on average, for only 10 per cent of total employment.

It is clear that more needs to be done to make the most of the enormous potential of the African private sector so that we can achieve the "Africa We Want".

The establishment of the African Continental Free Trade Area will create a market for African goods and services for 1.2 billion people, and will provide an opportunity for bolstering Africa's private sector. This is particularly important because, given current

global geo-political trends, the prospects for African trade with the rest of the world remain uncertain.

ECA estimates that the Continental Free Trade Area will increase intra-African Trade by over 50 per cent, and will boost the continent's GDP by more than \$40 billion, and its exports by more than \$55 billion. In the area of agriculture, which employs the majority of Africans, the Free Trade Area will improve market access and stimulate growth and employment.

The Free Trade Area will provide enormous opportunities for job creation, dynamic growth and economic empowerment for women and marginalized groups such as refugees and internally displaced persons. By making African economies more competitive and enabling the development and upgrading of regional value chains, the reforms enacted to establish the Free Trade Area will help enhance trade performance as well as assist countries in integrating into global value chains.

Excellencies, Honourable Ministers, we are counting you to make this happen by the next summit of the African Union.

As we consider ways to stimulate inclusive growth, bolster the private sector, leverage the African Continental Free Trade Area and mobilize the trillions of dollars needed for Africa's development;

the continent's rapid digitization offers important opportunities for progress.

For the broader economy

The digital economy was estimated by the World Bank to be worth \$11 trillion in 2016, equivalent to 15.5 per cent of global GDP. The growth of the digital economy is outpacing the “traditional economy” and in less than a decade, the digital economy is expected to account for 25 per cent of global GDP.

The digital economy is equally promising in Africa and has the potential to define the path that economic transformation is likely to take. In several African countries, the digital economy is becoming one of the main drivers of growth, accounting for more than 5 per cent of GDP.

In Kenya, mobile money has revolutionized the financial sector, and increased the pace of financial inclusion. On average, Kenyans moved more than \$100 million daily in mobile transactions in 2018, which totalled \$40 billion over the year, equivalent to almost half the country's GDP. [Senegal has set a target of generating 10 per cent of its GDP from the digital economy by 2025.](#)

Similarly, digital trade in Africa is rapidly growing at an estimated annual rate of 40 per cent, and is expected to grow to

more than \$300 billion per year by 2025. Globally, digital trade is worth over \$11.5 trillion, and is set to rise to more than \$23 trillion by 2025.

The digital economy is having a major impact on a wide range of sectors, including information communication and technology, trade, transport, education, health, agriculture and government services, and offers tremendous opportunities for inclusive growth on the continent.

For the private sector

Digitization has disrupted to traditional business models by facilitating the emergence of various subsectors of online products and services, with implications for the private sector in Africa.

Digitization lowers barriers to entry and expands market reach for enterprises, and changes how businesses design and build brands and products, communicate, and provide services to their customers. In this context, there are boundless opportunities for small and medium sized enterprises who constitute over 70 per cent of African businesses.

These opportunities, which will be further enhanced by increased market access under the African Continental Free Trade Area, can yielding transformative dividends for the private sector, job creation and inclusive growth on the continent.

For fiscal policy

Digitization has the potential to expand the base of the economy and facilitate efforts by governments to increase their mobilization of revenues. The digital economy therefore opens up opportunities for increased revenue mobilization through facilitation of trade and private sector investment, thereby promoting economic growth and development.

We also know that digitization can be an important enabler for enhancing domestic revenue performance by strengthening tax administration. Our research has shown that African countries have the potential to increase tax revenues by between 3 per cent and 4 per cent by bringing “hard to tax” sectors, such as agriculture and informal sector businesses into the tax system.

To reach these sectors, tax authorities should make use of automated tax reporting mechanisms. Such systems can increase compliance, lower the cost of compliance, and reduce tax

collection costs and time and thereby increasing revenue by an additional 4 per cent of GDP.

Automation of tax systems also offers the added advantage of increased data that can enabled tax authorities to carry out assessments in an efficient and more accurate manner, and strengthen tax policy decision making.

In Benin in 2017, the large corporate taxpayers' division saw their portfolio grow from 303 to 490 companies, thanks to the establishment of an innovative customs and public procurement data exchange platform.

Similarly, digitization, automation and reforms undertaken by the Kenya Revenue Authority have resulted in positive outcomes. The money-transfer system, M-Pesa, has transformed how tax policy and administration is conducted. The system includes an online portal for tax administration - the iTax System - that allows taxpayers to file and pay taxes electronically.

Excellencies, Honourable Ministers, Distinguished Ladies and Gentlemen,

I thank you for your kind attention, and I am hopeful that our deliberations in this year's Conference of Ministers will yield ideas and solutions as we work towards a prosperous Africa.