

## AFRICA AFTER COVID-19: CAN THE ECONOMY RECOVER?

- African growth, based on numerous indicators, was looking very promising pre-COVID-19 according to Ellen Johnson Sirleaf, former President of Liberia.
- COVID-19 has changed everything. Africa **faces the first recession for 25 years**:
  - Many countries have weak health systems.
  - Disruption in supply chains is already hitting domestic production.
  - Exports hit, fall in commodity prices (reduced funds for imports).
  - Island nations such as Mauritius and others hit by fall in tourism.
  - Domestic lockdowns in Africa harmed domestic demand, e.g. retail.
  - Food security is weak. Incomes have been terminated or reduced, with food prices increasing. Locust storm exasperates this.
- Without sensible policy, economic direction is dire over the next few years.
- **What should be done:**
  - Economic stimulus must be used to meet the humanitarian needs of the most vulnerable in society, and for SMEs (growth generation).
    - 100bn - 200bn USD over medium term is roughly what the continent needs to recover.
  - Partnerships with the private sector. This likely requires structural change away from state-owned enterprises.
  - External financing. Critical to reducing future debt burden. More support from the IMF will be required. World Bank, EU, and bilateral programme will be needed in a more equitable manner.
    - Programme under the G20 for debt relief is critical.
    - Credit rating agencies, and broader market, must not penalise African countries for inevitably higher debt levels given COVID-19 situation and limited fiscal room.
  - African owned and resident institutions should play leading roles in the recovery.
    - The African Development Bank, for example, has been a growth catalyst.
    - EU relationship with Africa should be bilateral. Both can learn from the other.
  - Investments should be future-oriented:
    - Green, digital infrastructure + skills, women and youth.
    - On green, scope to position the continent well for commodity exports essential to green economies.
    - Infrastructure with network externalities (electricity, water, transport).
    - Similar desire to EU for creating local production of medical essentials.
  - Deepening free trade and regional integration of the continent.
  - Globally available finance, pension funds etc., is huge. There are huge opportunities in Africa. Work must be done on the intermediation between the two to allow for more free-flowing private capital.

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