TONY BLAIR INSTITUTE FOR GLOBAL CHANGE

Preventing a Lost Decade in Africa

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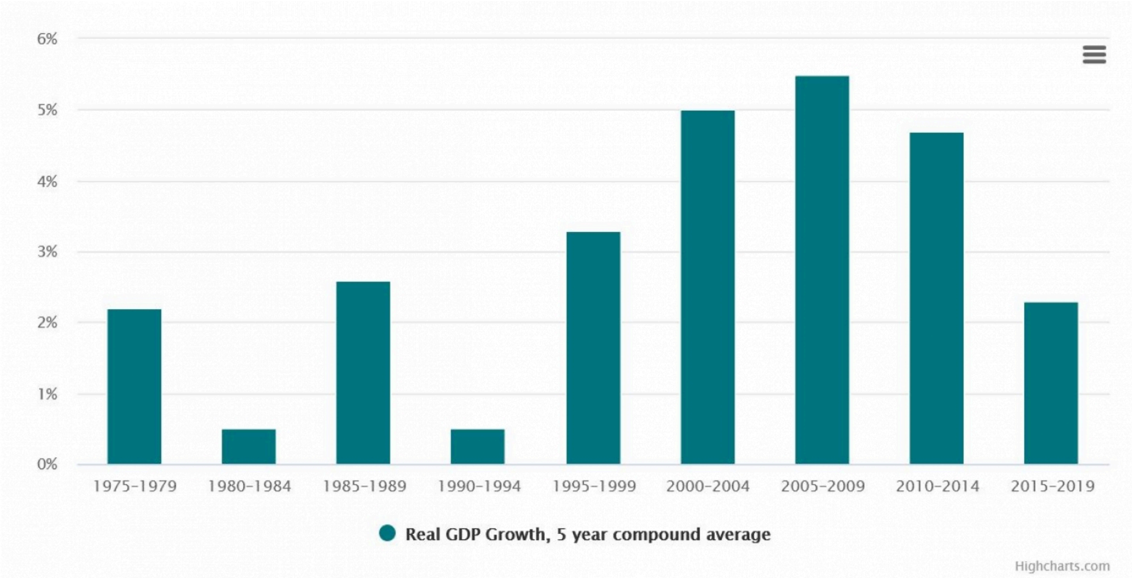
Introduction

African economies have been dealt a triple shock as a result of the Covid-19 pandemic: a global recession, disruptions to global trade and travel, and the impact of containment measures to control the spread of the virus. Now, as governments adapt to the new Covid-19 reality, they are also facing a surge in uncertainty over what the impacts will be – this year and in the years to come – across the health sector, the food and agriculture sector, jobs and businesses, macro-fiscal management, security, and politics.

Beyond countries' Covid-19 health response, much effort is currently focused on managing the short-term economic crisis and keeping economies afloat. This includes trying to support hard-hit critical sectors like agriculture, export-earning sectors, transport, tourism and trade. In April the consensus was that an economic recovery to 2019 GDP levels would be possible by 2021, but the effects of the pandemic have so far proven more acute and most forecasts are now less optimistic. Hence it is essential to assess the prospects for African economic recovery and for the economic outlook in the coming decade as this will also affect what happens across sectors in the coming years.

The continent's economy grew rapidly between 2000 and 2014, with African (excluding North Africa) gross domestic product (GDP) averaging 5.1 per cent growth per year during this period. Although Africa's population has averaged 2.7 per cent growth, this allowed rapid development as the private sector grew, government budgets and public service provision in sectors like health care expanded, and macro-economic stability was ensured. This rapid period of development came after two decades of sluggishness in the 1980s and 1990s. GDP growth only averaged 1.7 per cent during this period, much below Africa's rate of population growth. In recent years, off the back of a slump in global commodity prices in 2014, Africa has returned to sluggish economic expansion, with real GDP only averaging 2.3 per cent between 2014 and 2019. This has led to a strain on the development of many major countries, such as Nigeria, Angola and South Africa, as well as a range of smaller countries. It has also contributed to a sharp rise in the levels of debt distress in numerous countries, such as Zambia, Ghana and Angola: Debt was the key contributor behind Africa's lost decade in the 1980s.

Figure 1 – Real GDP growth rate, 5-year CAGR* for Africa (excluding North Africa) since 1975

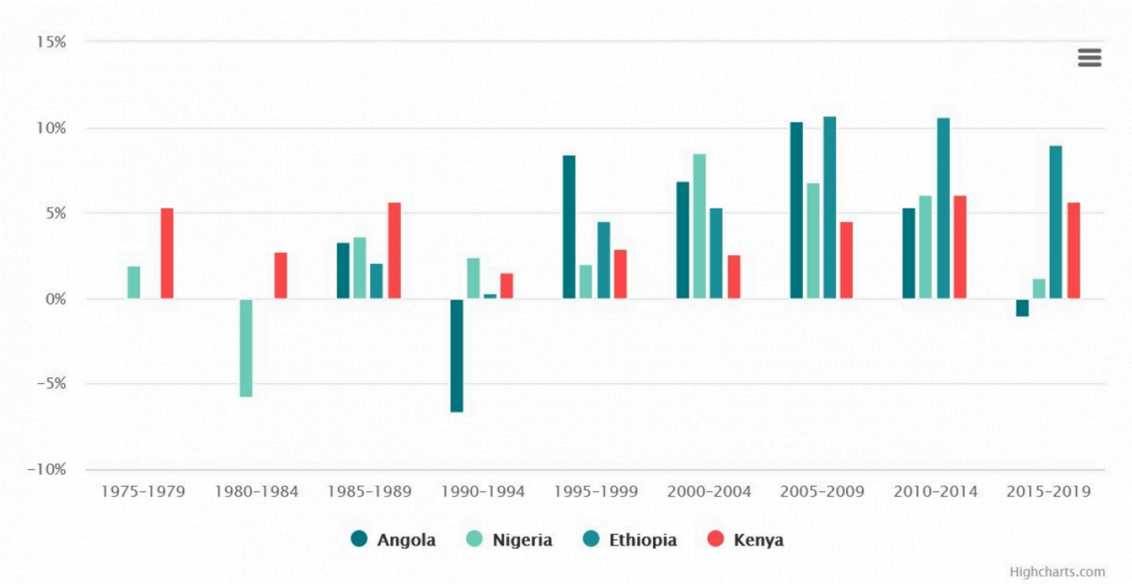


**Compound annual growth rate is the annual growth rate needed to take the GDP from the level at the beginning of the period to the level at the end of the period*

Source: World Bank World Development Indicators.

Countries with less dependency on the export of natural resources, such as oil and gas, have typically held up better. In fact, Ethiopia – whose growth is anchored to agriculture, manufacturing and tourism – remains one of the world's largest growing economies, averaging 9 per cent growth between 2015 and 2019, while Kenya averaged 5.8 per cent during the same period. The collapse in growth in major oil-exporting countries, such as Nigeria and Angola, is visible in Figure 2 below.

Figure 2 – Real GDP growth rate, 5-year CAGR for Nigeria, Angola, Kenya and Ethiopia since 1975



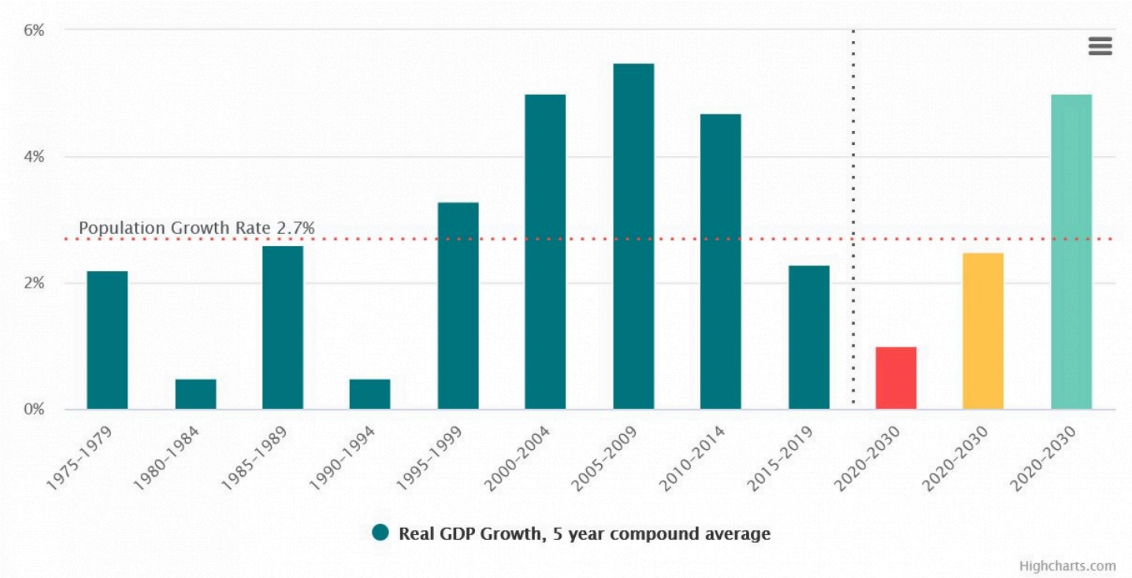
Source: World Bank World Development Indicators.

With the onset of Covid-19 and the major fiscal pressures it places on countries, African economies risk an extension of this lackluster growth, or worse still a further slowdown thereby leading to another lost decade, as experienced in the 1980s and 1990s?

This paper looks ahead to the next ten years, after the immediate economic contraction caused by the pandemic subsides, and explores the drivers of economic growth that may determine whether the continent faces:

1. **A lost decade scenario**: in which the scars of the pandemic thrust African economies into a cycle of declining productivity leading GDP growth averages to 1 per cent or below for the next ten years, as seen in the 1980s.
2. **A sluggish recovery scenario**: where recovery from the pandemic leaves long-term growth at around 2.5 per cent, which is the same level as in the five years up to 2019. In this scenario, growth risks being below population growth rate, thus likely leading to rise in extreme poverty.
3. **A great leap scenario**: in which the recovery leads to a cycle of increased productivity, in which GDP growth returns to around 5 per cent for the next few years, as was the case between 2000 and 2014.

Figure 3 – Economic growth scenarios for Africa in the 2020s



Source: TBI

The paper explores the likelihood of each scenario playing out and flags that current trends are raising the risk of a lost decade. The paper identifies policy levers available to African governments and various actors within the international community to minimise the risk of a lost decade. It suggests a prioritisation for each actor group, while also indicating what each actor can do to support each of the key policy levers needed to strengthen the drivers of growth.

The Scars of the Pandemic Could Cripple Africa's Long-Term Growth Path

Which economic growth scenario might play out across Africa in the 2020s? In this section we develop a framework to map each possibility. Beyond the extent of the short-term impact of Covid-19, there are seven underlying drivers of economic growth that will likely determine the course the continent takes in the coming decade. These will determine whether Africa loses the decade, makes a big leap forward or lands somewhere in between:

1. The resumption of pre-Covid-19 levels of global travel and trade
2. The level and type of foreign direct investment, as well as the type of domestic investment
3. How governments' fiscal positions are managed
4. The scale of investment in human capital
5. The speed and nature of the resumption of regular domestic economic activity
6. The level and type of public investment
7. Government bandwidth to drive key reforms

What would it take for these drivers to play out in a way to deliver a leap forward, with GDP growth averaging 5 per cent per year through the 2020s? For such a scenario to occur, short-term drivers – such as domestic economic activity and global trade and travel – would need to be rapidly resumed at pre-Covid-19 levels and grow from there. In addition, the fiscal balance and debt levels would need to be managed such that they do not drive macroeconomic instability. Third, long-term drivers – such as public and private investment in key economic sectors, infrastructure and human capital – would need to return to pre-Covid-19 levels while also focusing on the most developmental areas.

At present, this scenario looks unlikely. There are extensive disruptions in cross-border trade and global travel across the continent – African airlines were at 7 per cent occupancy in April [1] – which are undermining growth in trade, discouraging foreign and domestic investment, and stalling numerous major infrastructure projects. Delays caused by Covid-19 to major infrastructure projects like the Greater Tortue Ahmeyim project, a natural gas project off the shores of Mauritania and Senegal that was set to transform the Senegalese energy sector, exemplify the type of issues that could dissuade further investments in the continent. [2]

A number of Africa's key sectors are particularly vulnerable to disruption in global trade and travel. For example, a higher proportion of small and medium sized enterprises (SMEs) in Africa's travel and tourism industry risk going out of business than global equivalents. This is because, beyond the sector being much less likely to be able to receive bailouts and bridge financing, operational costs tend to be higher due to limited public infrastructure, such as roads and electricity access, in addition to harsher weather conditions (e.g. in arid or rainforest areas with heavy rainy seasons) and higher transaction costs. This all makes the industry's infrastructure less able to adjust to low levels of demand. For a hotelier in Togo, Liberia or Sierra Leone to shut down a whole floor for a season, it would necessitate a minimum yet costly amount of protective measures such as air conditioning and pipe protection in order to avoid humidity-induced damage. Moreover, repurposing facilities may be difficult in remote locations, such as safari park, where the sector is based in numerous countries. Travel disruption also affects other industries that rely on daily flights to their target markets. Blue Skies, a supplier of fresh-cut fruit to Europe, has suffered a sharp decline in sales and an unprecedented disruption to operations due to border closures, reduced passenger flights to European destinations and the three-week lockdown in Ghana. The company reduced its temporary staff, cut salaries, provisionally closed its factories and even furloughed members of its team in the United Kingdom. In order to resume production and minimise the long-term damage to the firm, it resorted to chartering flights at astronomical prices and guaranteeing a minimum amount of tonnage for each flight, thereby eroding all profits.

Many governments are also rapidly reducing their fiscal space to finance the Covid-19 health response and to roll out economic stimulus packages. Such packages average less than one per cent of GDP and therefore largely remain too small to protect key industries, such as tourism and agriculture export sectors, as well as informal workers and the poor. [3] This is contributing to a surge in debt levels. For example, South Africa – Africa's second-largest economy – is reaching concerning levels of debt in its efforts to finance its Covid-19 health and economic stimulus packages. After revising revenue forecasts for 2020 down by 20 per cent and more than doubling its expected 2020 fiscal deficit (forecasted to rise from 6.8 per cent of GDP to 15.7 per cent as a result) South Africa will see its debt-to-GDP ratio increase from 65.6 per cent to 81.8 per cent this year. [4]

Smaller economies are also facing a difficult outlook. For example, The Gambia, with a population of only 2.3 million people, is one of various countries that risks being left with limited policy options to weather the shocks of the pandemic growth drivers all remain weak. A fall in tourism revenue – which already dropped last year following the collapse of tour operator Thomas Cook – is expected to result in a 13 per cent decline in domestic revenue, which is equivalent to 1.8 per cent of GDP. Tourism accounts for 20 per cent of The Gambia's GDP and 48 per cent of its exports, and its main tourist season runs from September through to February as it provides a warm alternative to the European autumn and winter. [5] The impact of a steep drop in tourism, combined with the decline in revenues from other sectors of the economy, means that government revenues and grants in The Gambia are projected to fall from $474 million to approximately $422 million. Moreover, The Gambia has already spent an additional $14.8 million on its Covid-19 response so far, creating a total fiscal hole of $67 million which is proportionally equivalent to all the fuel duties collected by the British government.

Aid and the readjustment of expenditure has contributed $35 million toward filling this fiscal hole. Yet The Gambia was already ranked at high risk of debt distress prior to the Covid-19 pandemic and hence its ability to use non-grant financing to fill the gap or pay for new expenditure needs as they arise is limited – especially if revenue drops further. In addition, The Gambia was already facing shortages in health and education expenditure and the Debt Jubilee Campaign now estimates that it will spend nine times more in debt service in 2020 than it will on its the health sector. [6] In total, fifteen countries across Africa face situations in which their debt service is higher than their health budget. [7]

The pandemic is also worsening food insecurity across much of the continent and is expected to double the number of people facing food shortages in Africa, threatening to curtail the proper development of infants and children. [8] Moreover, as health resources are redirected to managing the pandemic, protection against other public health threats is at risk: UNICEF reports that, by early May, 99 countries across the world had suspended immunisation campaigns which could result in an uptick of diseases which could take years to undo.

A lack of private investment also poses a challenge to the continent. FDI into Africa had already been sluggish in recent years and, after peaking at $46 billion in 2012, net inflows of FDI declined to $31 billion in 2018 as a result of weak commodity prices and because industrial investment was still in its infancy. The United Nations Conference on Trade and Development expects investment flows in Africa to drop by between 25 per cent and 40 per cent in 2020 due to the Covid-19 crisis. Beyond these factors, the attention span of governments is currently predominantly directed toward managing Covid-19 and the multitude of related crises such as security for countries like Mozambique and Mali, and upcoming elections for countries like Burkina Faso, Côte d'Ivoire and Ghana. This all constrains the space for senior leadership to focus on driving key structural reforms – such as in the agricultural sector, the business environment, industrial policy, skills development and the implementation of key infrastructure projects.

In Figure 4 below we map out how the growth drivers might contribute to the scenario spectrum.

Figure 4 – Africa's economic growth drivers in the coming decade

Long-Term Growth Drivers	**In a Lost Decade Scenario...**	**In a Great Leap Scenario...**
Global Trade & Travel	**Sluggish Recovery of Global Trade** Trade partners' lockdowns and contagion fears continue to preclude the regular flow of trade and travel; export-driven potential is lost.	**Recovery of Global Trade with Africa** Global trade with Africa resumes unencumbered, travel rebounds after vaccine is developed; export-driven growth path is restored.

Long-Term Growth Drivers	In a Lost Decade Scenario…	In a Great Leap Scenario…
Private Investment	**Investment is Kept Within Borders** FDI does not return given veering to national interests. Local investment too limited.	**FDI Rushes to Africa** FDI reverts to Africa seeking the growing market; FDI complements uptick in local investment.
Fiscal Balance	**Fiscal Crisis** Governments cannot meet its obligations, defaults to creditors and public services ensue; sovereign debt defaults prompt instability in the local financial system and scare away FDI.	**Tight but Sustainable Fiscal Balance** Governments can re-prioritise expenditures and meet key needs; sustainable fiscal policy ensures macro stability that invites FDI.
Human Capital Investment	**Education and Health Outcomes Permanently Affected** Failure to provide social services result in permanent health damages (e.g. infant malnutrition) and low educational outcomes; lower human capital constraint long-term recovery. Many remain in poverty trap.	**Education and Health Outcomes Enhanced** Limited long-term harm to vulnerable households; new investments in social services lead to an effectiveness that surpasses pre-Covid-19 outcomes; human capital levels are improved which accelerates growth.
Domestic Economic Activity	**Local Aggregate Demand Recovery is Sluggish or Sclerotic**	**Local Aggregate Demand and Supply Rebounds** Consumption and supply picks back up.

Long-Term Growth Drivers	In a Lost Decade Scenario...	In a Great Leap Scenario...
	New lockdown measures or the peak of the pandemic slashes down consumption and supply.	
Public Investment	**Public Investments Cancelled/ Permanently Diminished** Infrastructure and other projects are not completed or cancelled, infrastructure maintenance falls behind; investments fail to yield returns or impact, infrastructure deteriorates.	**Public Investments Are Restored** Infrastructure and other projects go back on track to completion or are reengineered to meet the new circumstances, maintenance of infrastructure upheld; investments yield the returns expected pre-Covid-19.
Government Bandwidth for Key Reforms	**Reforms Fall Short and Structural Challenges Remain** Government management is mostly devoted to managing the effects of a protracted fiscal crisis, including debt renegotiation.	**Key Reforms for Economic Transformation** Government management can concentrate on its equitable growth agenda.

Source: TBI

Policy Options to Minimise Odds of a Lost Decade

What can policymakers do to minimise the probability that Africa will undergo a lost decade and, instead, increase the probability of a strong recovery and a related great leap scenario will play out?

There are eight key policy levers that could raise the odds for a great leap scenario. These levers are essential not only to support economic recovery, but also to deliver the economic transformation necessary to allow uninterrupted rapid long-term economic growth. Economic transformation means diversifying economies away from sectors that leave countries vulnerable to commodity price shocks, trade imbalances, limited job creation and narrow tax bases, and towards sectors that add value in-country, create jobs, spur innovation, broaden the tax base and invest in human capital and local institutional capacity. Pulling these policy levers in the right direction could therefore change the growth path of the continent, not only in the aftermath of the pandemic but also for the long term.

Policy levers are not restricted to African governments and governments cannot go it alone. The international community also has a role to play. Since Africa operates in a globalised world, the future of the continent also depends on policy decisions that multiple international stakeholders take. Such stakeholders span pan-African organizations like the African Union, the African Development Bank, Afrexim Bank, and the various regional economic communities, in addition to non-African country governments – particularly those with a trade, investment, financial and development relationship with the continent – and the private sector, such as global manufacturing, agriculture and technology firms.

The eight policy levers are:

1. **Ease of trade and travel:** restarting and protecting travel routes, restarting or minimising disruptions to trade routes and restoring global demand for African exports.
2. **Targeted development of job-creating sectors:** rolling out targeted strategies to develop value-adding and job-creating industries such as agro-processing, manufacturing, technology services and tourism. Such sectors are also key for widening the tax base.
3. **Access to sovereign financing:** making use of global development finance or financial markets to support governments in weathering the short-term effects of the pandemic and to adjust to the long-term effects.
4. **Debt relief:** providing suitable debt relief and supporting measures of debt management, restructuring and renegotiation – with a stronger link to efforts to drive sectors that widen the tax base.
5. **Return of investment flows:** incentivising foreign and domestic investment back into African economies through policies and resources that contain the financial risks of the pandemic.
6. **Investing in human development:** devoting sufficient resources to invest in human capital, both through social protection programmes such as cash transfers and basic income schemes, and

enhancing investments in education, nutrition, sanitation, the labour market and health.

7. **Fiscal support to firms:** providing support to both employment-intensive, growth-enhancing industries and key enabling industries, like the energy and financials sector, to weather the short-term effects of the pandemic and to adjust to the long-term effects.
8. **Expansion of infrastructure and public investment:** maintaining and scaling-up key public investment projects – including both hard infrastructure such as rail, road and port projects, and soft infrastructure such as public sector digitalisation projects – as well as maintaining of existing public infrastructure.

Figure 5 below maps out different approaches to these policy levers and suggests how different approaches to each lever – insufficient or adverse effort as opposed to proactive and positive action – may increase the likelihood of the lost decade or great leap growth scenarios in the next ten years.

Figure 5 – Policy levers available to African governments and the international community

Policy Levers	**Insufficient or Adverse Action**	**Proactive, Positive Action**
Ease of Trade & Travel	**Trade Bubbles** Trade and travel confined to bilateral or multilateral agreements based on national risks of contagion and the enhanced sanitary controls of trade partners.	**Targeted Outbreak-Control Restrictions** Targeted interventions rolled out when contagion accelerates, with view to maximise cross-border transport of goods and people while minimising outbreak risk.
Expanding Job-Creating Sectors	**Economic Nationalism** Economies attempt to detangle themselves from global value chains implementing broad import substitution-style policies.	**Smart Industrial Policy** Smart use of industrialisation strategies – mostly export oriented, or at least market based – to develop industries that can create jobs, stimulate innovation and widen the tax base.

Policy Levers	Insufficient or Adverse Action	Proactive, Positive Action
Sovereign Financing	**No Access to New Financing** Development finance insufficient to weather the effects of the pandemic and/or governments cannot afford the risk premium of global financial markets.	**Sufficient and Sustainable Access to Sovereign Finance** Governments able to use development finance or global financial markets to weather the short-term effects of the pandemic and to adjust to the long-term effects.
Debt Relief	**Insufficient Debt Relief** Debt relief too little and/or adequate renegotiation is too protracted.	**Sufficient Debt Relief** Significant debt relief made available and/or adequate renegotiation is available.
Investment Facilitation	**No Recuperation of FDI** FDI levels stagnate or decline.	**Sufficient Inflow of FDI** FDI is incentivised back into African economies through policies and resources that contain the financial risks of the pandemic.
Investing in Human Development	**Insufficient Support to Vulnerable Citizens and Social Services** Resources fall short of what is needed to protect vulnerable households or improve key social services like health.	**Targeted Support to Vulnerable Citizens and Social Services** Sufficient resources devoted to vulnerable households (e.g. cash transfers) and/or enhancements of key social services like education and health.

Policy Levers	Insufficient or Adverse Action	Proactive, Positive Action
Fiscal Support to Firms	**Insufficient or Ill-Designed Support to the Private Sector** Poorly targeted support to private industry creates dependencies and unsustainable pressures on the fiscal balance. Alternatively, lack of fiscal space and implementation capacity prevents key industries receiving sufficient support.	**Targeted Support to Key Industries** Resources devoted to employment-intensive, growth-enhancing industries to weather the short-term effects of the pandemic and to adjust to the long-term effects.
Public Investment	**Dwindling Public Investment and Decaying Infrastructure** Insufficient resources are devoted to growth-enhancing public investment and infrastructure maintenance.	**Sustainable and Growth-Enhancing Public investment** Considerable resources devoted to maintain or enhance public investment projects, including both hard and soft infrastructure.

Source: TBI

Inevitably, with limited resources – whether financial, organisational, political or even just a lack of management bandwidth – it is hard for countries to be proactive and positive rather than reactionary and lacklustre across each of these policy levers. This is particularly true when managing multiple crises. Moreover, it is even more difficult, if not near impossible, to implement a comprehensive response if governments are not suitably supported by the international community. For example, deciding whether to invest in human capital development or expand job creation sectors is not straightforward – not least because it is not only a technical decision; such decisions are also political. The greater and better the international support received, the fewer trade-offs need to be made. Nonetheless, in recognition of the possible likelihood for ruthless prioritisation by hard-pressed governments, in Section 5 of this report we suggest a prioritisation for different types of actors across these eight policy levers. This is relative and generic analysis that examines only the bigger picture rather than country-specific contexts, thus only serving as a guiding framework.

In order to help us answer the question of prioritisation, we proceed to make judgement calls regarding the expected impact of different policy approaches to either raising or reducing the probability of each growth scenario. To better understand this, we link each policy lever to one or multiple growth drivers based on whether the available evidence suggests a positive or negative relationship. Figure 5 demonstrates the likely causal relationship between policy levers and growth drivers, and hence the three scenarios.

Figure 6 – How policy levers (colour-coded below) may influence Africa's growth scenario in the next decade

Growth Drivers	**Scenario 1:** **Africa's Lost Decade** (if insufficient action taken)	**Scenario 2:** **Africa's Great Leap** (with required policy levers)
Global Trade & Travel	Weak demand for African exports and high transaction costs	Rapid recovery of global trade with Africa
Private Investment	Investment low-level and low quality	Investment scales up in volume and quality to drive economic transformation
Fiscal Balance	Fiscal crisis	Tight but sustainable fiscal balance to maintain macro stability
Human Capital Investment	Education and health outcomes permanently affected	Education and health outcomes restored
Domestic Economic Activity	Local aggregate demand recovery is sluggish or sclerotic	Local aggregate demand and supply rebounds
Public Investment	Public investments cancelled/ permanently diminished	Public investments are restored and enhanced

Growth Drivers	Scenario 1: **Africa's Lost Decade** (if insufficient action taken)	Scenario 2: **Africa's Great Leap** (with required policy levers)
Government Bandwidth	Reforms fall short and structural challenges remain	Transformational growth enhances advance of reforms

Key:

Ease of Trade and Travel · Expanding Job-creating Sectors · Investment Facilitation

Fiscal Support to Firms · Protection of Human Capital · Public Investment

Sovereign Financing · Debt Relief

Source: TBI

Given the impact that macro-economic instability can cause (as seen in multiple debt crises in recent economic history from Latin America's Lost Decade in the 1980s, to Africa's lost two decades in the 1980s and 1990s) avoiding a fiscal crisis is essential. It would have a significant adverse impact on a number of other growth drivers by undermining public investment; undermining private investment through increased interest rates, particularly in infrastructure and human capital; and pushing vulnerable people back into a poverty trap. This would also undo a significant amount of well-earned progress made by governments and the international community to deliver macro-economic stability in Africa.

The framework presented in Figure 6 suggests that avoiding this scenario will require the use of all policy levers, thereby requiring policy coordination by governments and the international community across many areas. Not least among these are debt relief and sovereign financing, as well as grant financing for the protection of human capital and for firms, particularly SMEs, to minimise a direct or indirect negative impact on the fiscal balance. A rapid restoration of trade is also essential – hence the importance of the global community avoiding a pivot to economic nationalism and protectionism. Finally, it is critical that governments, backed by partners, have the bandwidth to focus on a job creation strategy that drives the quantity and quality of FDI to sectors that will deliver the highest returns. Failure to do so would mean weak tax revenue growth, increased pressure on social welfare, increased risk of insolvency by the financial sector and, in turn, a worsening fiscal crisis.

Indeed, government bandwidth underlines all of the measures discussed in this paper and necessitates that government leadership and key officials, both African and of the G20, focus on the most critical reforms while driving a holistic and robust economic recovery strategy. To avoid a lost decade scenario, is essential that governments are supported in efforts to focus on the development and implementation of a strategy that meets not just short-term exigencies for recovery but also long-term reforms for economic transformation.

Preventing a Lost Decade in Africa Matters to the World's Recovery

Africa's economic and development prospects over the coming decade will have a significant impact on geopolitics and the recovery of the global economy post-Covid-19. There are multiple channels through which Africa's economic outlook will play out globally, spanning economic ties, security, geopolitical interests, aid and migration.

The most relevant channel of economic ties is the creation of investment and trade opportunities. Africa's population will rise from 1.3 billion today to 2.5 billion by 2050 – thereby representing the fastest population growth of any continent. As it urbanises and grows its middle class, Africa is likely to see a rapid growth in consumer markets for a vast range of products and services. A great leap in African economies could thus create the next big pull for the growth of the global economy following the Asian pull of the past three decades. Global players like the United States, European Union, China and India all have valuable trade and investment interests in the continent that depend on continued broad-based economic growth.

For example, European carmakers such as Volkswagen and Renault are investing in countries like Rwanda and Ghana; American textile and apparel firms like PVH and Hanes have invested in Ethiopia and are considering expanding into West Africa; Indian pharmaceuticals firm Cipla has invested in a manufacturing plant in Uganda; while Chinese textiles and shoes manufacturers occupy most of Ethiopia's main textile and garments industrial park. Covid-19-related disruptions to production, including lockdowns, have significantly impacted these operations by creating delays in both production and expansions of investment. It is predicted that FDI into Africa will shrink by at least 15 per cent due to Covid-19. [9]

Second, multiple global firms are targeting the continent for labour sourcing and key agricultural inputs. For example, Amazon is expanding its South African work force to 10,000 people [10], while the Dutch-led $8.5 billion global flower industry depends on sourcing flowers from Kenya and Ethiopia. [11]

Third, many countries depend on the import of natural resources from the continent, such as oil, gas, coltan, iron ore, bauxite, gold, uranium and copper. Countries like Australia, Canada, China, France, the United Kingdom and the United States all have strong interests in related mining industries on the African continent. Disruption in mining operations can therefore cause ripple effects through global supply chains and may lead to shortages when demand in advanced countries resumes. For example, the closure of Vale's iron ore mine in Itabira, Brazil, almost immediately created issues elsewhere in the market. [12]

The fourth channel is research and innovation. Many global industries are benefiting from entrepreneurship and innovation on the African continent, spurred by youth development in urban centres. For example, in 2018, Hewlett Packard opened a centre of entrepreneurship in South Africa while investing in a 3D-printing facility, ensuring the company is well positioned to benefit from Africa having the largest working-age population in the world by 2035. [13]

Geopolitical considerations are also important – not least Chinese-American competition which, as with the cold war, is already finding a theatre of action on the continent. Both countries are seeking to expand their influence on the continent in order to expand or maintain their soft power and geopolitical influence. On an often smaller level, this extends to other key players like the European Union, Turkey, Iran, Russia, Japan, India and the Gulf states.

In terms of security, Africa's economic outlook will have implications for its ability to prevent local and global terrorist organisations from expanding their footprint across the remote areas of the continent. Areas of concern include The Sahel, the Horn of Africa and countries like Mozambique, which are already suffering from a lack of economic opportunity alongside agricultural conflict, a weak government footprint and insufficient public services.

Migration is also important, particularly for Europe. While African migration brings significant economic and cultural benefits to the European continent, it has also put pressure on domestic politics there and stoked anti-immigrant sentiments. The most effective way to slow economic migration would be to significantly raise incomes per capita across Africa to around $7,000 at purchasing power parity levels. [14] A lost decade in Africa would undermine progress toward this threshold, while risking spurring further mass migration due to an increased risk of conflict, repression and insecurity in certain countries, as seen in The Gambia and Eritrea in the 2000s. [15]

Finally, there is the risk of the need for greater humanitarian assistance. The absolute number of people in extreme poverty in Africa (excluding North Africa) – i.e. those living with income less than $1.90 per day – rose from 388 million in 2002 to 421 million in 2015, despite the poverty rate declining from 55 per cent to 42 per cent during the same period. This is due to rapid population growth. If income per capita in Africa (excluding North Africa) permanently contracted by 20 per cent due to Covid-19, an additional 112 million people would re-enter extreme poverty, thereby erasing progress made in fighting extreme poverty in the past fifteen years. [16] Indeed, as a result of Covid-19 and its multiple economic shocks, the International Food Policy Research Institute has estimated that 30 million people in Nigeria alone slipped into extreme poverty during its Covid-19 lockdown. While many of these people may be expected to return to earning a higher income as the economy recovers, it is likely a large proportion might not if Africa as a whole fails to recover and to return to a great leap scenario. This is likely to mean less resilience and a dependency on humanitarian assistance if further shocks like droughts or another disease outbreak take hold. It also means many people may return to the poverty trap and come to rely once more on subsistence living, with little scope to save and climb the ladder back out of poverty – particularly should economic opportunities remain highly limited. This all would be a loss not only to African countries, but to the trade and development partners that have invested heavily in moving Africa beyond aid and towards economic resilience.

Finally, the world has a vested interest in the ability of each continent to tackle major global issues, be it climate change, which requires institutions to protect critical natural resources such as forests and oceans, or future health pandemics and novel diseases. Indeed, limited economic growth could constrain the resource base needed to manage future communicable diseases, while also risking setbacks in global fights to eradicate diseases such as malaria, tuberculosis, polio and HIV.

Conclusion: A Call to Action

What should African governments and the global community do in order to minimise the risk of a lost decade? Any solution must recognise that resources are limited due to Covid-19 and weak global commodity prices, and that management bandwidth will be focused on managing the immediate crises. In this concluding section we make prioritisation recommendations for three groups of actors:

1. African governments and continental organisations
2. Africa's trade, investment and development partners
3. The global private sector

African governments and continental organisations

African governments and continental organisations such as the African Union, African Development Bank, Afreximbank and United Nations Economic Commission for Africa should prioritise domestic and region-wide policy measures that can maximise the probability of a great leap. We recommend the following generalised prioritisation of policies (which clearly would need tailoring to each country context) in descending order:

1. **Reconnecting to the global economy.** The reopening of cross-border travel with key partners both within and outside Africa is essential. This requires having a framework of metrics which partners can base decisions on, including trade and travel importance; how countries are performing in managing Covid-19; and the reliability of suitable control measures protocols, such as testing at ports of call, contact tracing and rapid isolation systems. In addition, clear and reliable rules and enforcement mechanisms to manage outbreaks will enhance credibility and trust between trade partners. Once these mechanisms are established, efforts can then be focused on the implementation of standardised and reliable sanitation schemes for ports of entry for goods and people, while avoiding arbitrary trade restrictions and lack of policy clarity. Such an approach is best undertaken through cross-country coordination at the African Union or regional economic community level. For example, the credibility of sanitary measures for border crossing (either by land or by air), is better accomplished by matching standards between bordering countries. This will necessitate country-to-country agreements and, ideally, regional agreements that allow for cross-regional transport of goods and people. The aim is to have agreed standards of sanitary measures (e.g. temperature testing, wearing masks at all times) within the region that minimise the risk of transmitting the disease and allow for intraregional trade to continue. This will be crucial in enabling the Africa Continental Free Trade Agreement to yield the much expected (and needed) results it has promised. Likewise, support for the critical travel and tourism industry should not only come from governments to their domestic industries, but rather from a coordinated effort to, first, protect the global infrastructure of travel and tourism while the sector recovers and, second, to promote experimentation, innovation and adaptability in the "safe" travel industry.
2. **Support firms and job-creating sectors.** In the short term, this is about the essential financing of

SMEs in key sectors that create jobs, grow net exports or enable other sectors. So far, many economic stimulus packages across the continent have lacked sufficient focus on these firms and sectors. SME financing initiatives should quickly transition into a rapid plan to develop job-creating and net exporting sectors like value-adding agriculture, agro-processing, manufacturing, technology services and tourism. The approach taken by countries like Ethiopia, which has prioritised agro-led industrialisation since the early 2000s, is now paying dividends. Adopting this approach across the continent will be essential if Africa is to secure a great leap scenario. Investment facilitation is also necessary, both for the restoration of FDI and for the improved targeting of both FDI and domestic investment which is crucial in countries with large private sectors like Nigeria and Kenya. These efforts need to complement and work in synchronisation with policies to develop such job-creating sectors. Enabling sectors like transport, renewable energy and improved financial services is also important.

3. **Scaling up investment in human capital**. This is needed both through immediate support for cash transfer programmes and to the health sector, but also, crucially, to the education and nutrition sectors. This investment will have the twin benefit of injecting cash into the economy in both urban and rural areas, while also enabling rapid cognitive development and minimising stunting. In turn, has implications for long term growth. This policy will also further stimulate the domestic agriculture sector.

4. **Maintaining and scaling up major infrastructure and public sector reform projects.** For government, this should span the digitalisation of both services and projects to strengthen the capacity of government (like public financial management, tax administration reforms and judicial reforms). For hard infrastructure, this should span projects such as upgraded internet infrastructure, major railways, roads, ports, and key energy reforms (which will bring an added benefit of short-term job creation in construction while enhancing an environment that enables the job-creating and exporting private sector).

5. **Debt management and sovereign financing.** It is important to continue debt management dialogue efforts with creditors and with sovereign financiers in parallel. It is also essential to tie this dialogue to a coherent plan for industrialisation and the widening of the tax base; one that is much more robust than those seen in the past 20 years, bar certain countries like Ethiopia.

This policy approach requires senior government to devote enough bandwidth to the implementation of an economic recovery strategy. The use of delivery and coordination mechanisms is therefore essential. Investing in these mechanisms for economic recovery will be crucial if limited government resources are to be efficiently allocated to activities with the highest return. This investment is also key to exploiting opportunities that both create sufficient political momentum for key reforms and focus on the most transformational initiatives, something which the present crises might allow for.

These policy recommendations are expanded on in Figure 7 below.

Figure 7 – Suggested priorities for African governments and African continental agencies

Policy Levers	**African Governments**	**African Continental Initiatives**
	Individual African countries should prioritise domestic and regional policy measures that would enable a leap forward.	AFDB, AU, Afrexim, UNECA et al, should prioritise regional public goods needed to accelerate trade, like regional sanitary regulations, regional infrastructure projects and the implementation of ACFTA.
Ease of Trade & Travel	Implementation of standardised and reliable sanitation schemes for ports of entry for goods and people, avoiding arbitrary shutdowns of trade rules and concurrent uncertainty in trade. Focus efforts to provide clear and reliable rules and enforcement mechanisms for the management of outbreaks to enhance credibility and trust between trade partners.	
Expanding Job-Creating Sectors	Prioritise efforts (at highest levels of government) to provide a suitable enabling environment for job-creating sectors, predominantly exporting.	Expand facilities like Africa Medical Supplies Platform to promote African industrialisation across various sectors: manufacturing, agriculture, technology services etc. Anchor ACFTA to these.
Sovereign Financing	Coordinated regional approach to request large-scale increase of grants and concessional loans from global community.	
Debt Relief	• Have a coordinated regional approach to forbearance requests. • Set out industrialisation plan and anchor debt management plan to it.	• Continue to lead a coordinated approach to dialogue with international creditors to secure a manageable outcome that aligns with the industrialisation agenda for the continent.
Investment Facilitation	• Investment outreach and facilitation for key investors • Orderly fiscal and macroeconomic management • Commitment to business	• Coordinated approach to monetary measures by regional central banks • Commitment to enhancing regional trade

Policy Levers	African Governments	African Continental Initiatives
	Individual African countries should prioritise domestic and regional policy measures that would enable a leap forward.	AFDB, AU, Afrexim, UNECA et al, should prioritise regional public goods needed to accelerate trade, like regional sanitary regulations, regional infrastructure projects and the implementation of ACFTA.
	environment reforms	
Scaling Up Human Development	• Large-scale cash transfers to vulnerable populations. • Increased investment in education, health and nutrition	• Platforms for policy exchanges and support for country efforts • Support to regional procurement of health sector goods and services
Fiscal Support to Firms	• Loan schemes for key industries • Liquidity support to key industries • Other [see TBI's guide on Protecting Key Industries]	• Expand liquidity facilities such as Afrexim's PATIFMA and ensure full capitalisation • Provide SME funding facilities for short- and long-term needs
Public Investment	Make clear ask of development partners and DFIDs with robust plans for continuation and acceleration of priority pre-Covid-19 infrastructure and government reform projects.	Lead the coordination needed to manage disruption to region-wide infrastructure projects (e.g. various transport and energy corridor projects, e.g. Desert to Power).

Source: TBI

The international community: Africa's trade, investment and development partners

The scale of the challenge to shift the current trend towards a great leap scenario means that African governments and the African Union cannot do it alone. They require the full backing of the global community. In particular, the most important areas of action are (in order of priority):

1. **Preventing a debt crisis.** This is the top priority for the global community. A fiscal crisis that devolves into a debt crisis would engage the resources and attention of governments for years, drawing attention away from important reform agendas that would enable economies to thrive through global

trade. Without the strong backing or an enabling environment of strong government institutions, private actors in developing economies will not be able to regain the growth trend witnessed prior to the Covid-19 pandemic. Fiscal support to governments, either in the form of debt relief or grants, is hence a necessary condition in the recovery of global trade and thus must be borne from economies with enough fiscal space to deliver the support. Advanced economies can protect their role in global trade via a firm commitment to avoiding a protracted fiscal crisis in Africa caused by the pandemic, thereby mitigating the potential for long-term damage to Africa's productive capacity. To do this, G20 governments must dramatically increase debt relief or financial support to the continent's governments. As it stands, the amounts pledged will simply not be enough to avoid a crisis in the medium term.

2. **Reconnecting Africa to the global economy.** The swift recovery of demand in the travel and tourism sector is in the best interest of global trade, so solutions to ensure "safe" travel must be found. Much like lockdown measures, there is a way to balance health and economic concerns when dealing with global travel, but the industry will need the encouragement of innovation, experimentation and adaptability. Some examples, such as the use of tracing apps for travellers and the use of testing protocols for arriving and departing passengers, have already emerged and appear to sufficiently manage the Covid-19 risk while travelling. While governments are already preparing to assure health conditions for visitors, these endeavours must be promoted and ideally coordinated to enhance health safety from port to port.

3. **Preventing global protectionism and economic nationalism.** As the globe collectively experiments with the easing of lockdowns, the effects over vulnerable trade partners must be included in the equation. Governments around the world are adjusting the stringency of their containment measures based on both health and economic considerations. Among these economic considerations should be the effect on trade partners in developing countries like Africa, not least because of the welfare of its people but also because of their contribution to G20 economies through multiple elements of the global supply chain. If lockdowns exhaust trade partners' abilities to sustain global supply then economies, when re-opened, will be missing key elements of their productive potential and will inevitably not recover to their pre-Covid-19 potential.

4. **Supporting expansion of job creation sectors and investment facilitation.** It is essential for G20 countries and multilateral organisations to step up support for both local enterprises and governments (who need to set a suitable enabling environment) by facilitating a scale-up of investment in transformational sectors like agro-processing, manufacturing, technology, renewable energy and tourism. Support for government delivery and coordination mechanisms, particularly those that foster public-private collaboration, is an important component here.

5. **Support the scale-up of public investments and of human capital investment.** Ensuring continuity of public investment projects both in hard and soft infrastructure (e.g. government reforms, institutional strengthening and digitalisation), as well as in key sectors that develop human capital, particularly education and nutrition, is important. Support for public sector delivery and coordination mechanisms is an important component here.

Figure 8 below presents a menu of various policy levers available to the international community – both bilateral partners, such as G20 governments, and multilaterals – to support Africa in preventing a lost decade.

Figure 8 – Policy options moving forward for trade and development partners

Policy Levers	**G20 Countries and Other Bilateral Partners**	**Multilateral Organisations**
Ease of Trade & Travel	Provision of rapid and flexible support to countries to implement measures (e.g. scaling PCR and rapid-result antibody testing) that would allow resumption of travel and minimise trade disruptions.	WTO: Provide leadership in the guiding principles that will adjust global trade to the effects of the pandemic, with a view to deterring health-fear-induced protectionism.
Expanding Job-Creating Sectors	• Do not promote protectionist measures. • Implement smart industrial policies to create jobs at home, while not resorting to measures that prevents Africa from developing job-creating, value adding sectors. • Maintain an export orientation.	• Provision of industrialisation support facilities (among DFIs and donor agencies) to provide financing and technical assistance to that countries need to develop job-creating sectors (both developed and developing countries). • Scale up Aid for Trade platform (e.g. WTO's Enhanced Integrated Framework) to drive industrialisation and trade facilitation efforts.
Sovereign Financing	Bilateral lenders: Provide new grant-based financing accompanied by support to reform agendas that are adjusted to the post-Covid-19 context.	Dramatic increase in concessional financing for governments, particularly budget support.
Debt Relief	Bilateral lenders: Medium-term debt relief, accompanied by support to reform agendas	• Provision of delivery support to African governments to roll out and package and communicate

Policy Levers	G20 Countries and Other Bilateral Partners	Multilateral Organisations
	that are adjusted to the post-Covid-19 context.	their industrialisation strategies, and to develop long-term debt management plans • Global debt relief scheme coordination
Investment Facilitation	Bilateral and multilateral development institutions: financial incentives for the return of investment to emerging markets, including the use of export-import banks' financing or domestic financing corporations, and enforcement of explicit preference for African economies.	Establish mechanisms to strengthen African government capacity to conduct investment outreach and facilitation, and to develop bankable projects, as well as to proactively match investors to African countries.
Scaling Up Human Development	• Major scale-up of sector support via the government budget • Major scale-up of education and health sector support, backing government's approach to its development	• DFIs: Flexibility in repurposing funds towards initiatives that may now be more adequate – e.g. cash transfers may now be more effective than social security schemes.
Fiscal Support to Firms	Bi-lateral and multilateral development institutions: Actively direct funds to key industries most hit by the pandemic; provide technical assistance to plan medium-term support.	Provision of facilities and mechanisms for firms to leverage financing support during Covid-19 crisis and in recovery period.
Public Investment	Major scale-up of budget support for African governments.	DFIs: Flexibility and creativity in reviewing ongoing infrastructure projects, including PPPs.

Source: TBI

Global philanthropy and corporations

We conclude this paper with a call to action for global philanthropy, impact investors and corporations – including global technology firms – who also have a role to play in securing the economic recovery of Africa. This requires active engagement rather than simple involvement.

As with G20 governments, it is essential for global corporations and philanthropy to increase their focus on investing in sectors that create opportunities for themselves, while also driving the industrialisation and human capital development of the continent. Philanthropy and impact investors are generally flexible and adaptive, which means they can fund and support projects that G20 governments and multilaterals often do not. They should be more responsive to the asks and needs of African governments, entrepreneurs, its private sector and civil society, albeit in a way that focuses on transformative sectors – both economic and social.

There are a number of immediate examples. Investors could support countries to develop a priority value chain that has high transformational potential but that may be getting little support. They could also stimulate the development of startups and SMEs that do not qualify for commercial or development finance, institution financing, or those that cannot afford business development advice and support. Moreover, there is a need to provide highly adaptive delivery support to progressive and visionary government leaders and their agencies, in order to aid the implementation of their own strategies for developing their country. The provision of delivery by the international community to governments – particularly those with complex bureaucratic systems and weak organisation capacity in key economic ministries – is essential. There is an urgent need to support government leaders in managing their bandwidth through improved access to timely data and information for rapid decision making and problem solving, and mechanisms for more efficient bandwidth prioritisation, programmatic planning and performance management of government staff. This type of support can aid the strengthening of government systems and structures for implementing policy agendas and delivering public services.

Global technology firms also have great scope to support the transfer of technology solutions; although they would need to establish a local presence in order to understand the landscape, culture and ways of working. Such firms could also back local entrepreneurs directly. However, attempts to transfer solutions developed in Silicon Valley will be unsuccessful without a significant amount of adaptation and contextualisation. The same is true for philanthropy, impact investors and corporations interested in other sectors and outcomes.

Figure 9 below provides a suite of important routes that philanthropy, impact investors, technology firms and other corporations can explore to support Africa to enter a great leap scenario.

Figure 9 – Policy options for philanthropy and corporates

Policy Levers	**Philanthropy and Impact Investors**	**Technology Firms and Other Corporations**
Ease of Trade & Travel	Invest in e-commerce platforms and in travel and tourism businesses.	• Invest in e-commerce platforms operating across Africa, like Alibaba is doing. • Invest in African SMEs (minority investment) trialing innovative solutions (e.g. e-trucking).
Expanding Job-Creating Sectors	• Rapidly scale up investment in job-creating sectors like agro-processing, manufacturing, local technology services and tourism. • Provide flexible and adaptive delivery support to governments to develop and implement holistic job creation strategies that allow policy coherence.	• Explore investment opportunities in job-creating, value-adding and exporting businesses that have a vested interest in developing the capacity of its staff. • Explore agro-processing, manufacturing solutions (inc. automation, 3D printing, robotics etc.), technology, renewable energy and other services. • Expand funding for local SME facilitation, inc. via incubators, accelerators and challenge funds.
Sovereign Financing	Advocacy and lobbying with home G20 governments for scaling concessional financing to African governments.	
Debt Relief	• Advocacy and lobbying for long-term debt-management solutions. • Fund delivery advisory to governments on public financial management and industrialisation/ job creation plans.	• Advocacy and lobbying with home G20 governments for short-term debt relief and long-term debt management solutions. • Explore information access solutions for managing credit ratings and minimising risks.

Policy Levers	Philanthropy and Impact Investors	Technology Firms and Other Corporations
Investment Facilitation	• Provide delivery advisory support to governments (e.g investment promotion agencies). • Establish programmes to match investors to bankable projects and value chains in African countries.	• Provide technology solutions to economic ministries to support their outreach, dialogue and due diligence with prospective strategic investors. • Corporates should seek to invest in key gaps in key value chains identified by the government or local think-tanks or businesses.
Scaling Up Human Development	• Partner with local technology providers to scale up bespoke ed-tech, health-tech, water-tech, ag-tech and fin-tech solutions. • Establish technology transfer facilities. • Invest in incubators and accelerators across the continent.	• Partner with local technology providers to scale up bespoke ed-tech, health-tech, water-tech, ag-tech and fin-tech solutions. • Establish technology transfer facilities. • Invest in incubators and accelerators across the continent.
Fiscal Support to Firms	Scale up support mechanisms for African SMEs and for key job-creating and export generating sectors.	Develop partnerships with local technology firms and related SMEs and provide flexible support to them to weather crisis.
Public Investment	Scale up funding and support for delivering advice and capacity-strengthening programmes for governments.	Engage with governments to support their efforts to use technology solutions for government reforms, e.g. digitalisation strategies.

Source: TBI

Footnotes

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