



8-10 December 2020
Virtual Conference

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December 9, 2020

Africa's SMEs need to build resilience to survive future pandemics

Small and medium scale enterprises (SMEs) are the backbone of most African economies, and considering their obvious vulnerabilities to external crises, they are the worst hit by the COVID-19 pandemic. In an analysis on the impact of Coronavirus on SMEs, Assem Abu Hatab, an Associate Professor at the Department of Economics at SLU, quoted the International Monetary Fund as saying that in 2020, the pandemic has hit the downstream stages of the food supply chain harder in developing

countries than the upstream stages. He was speaking at the 2020 AEC, themed, "Africa beyond COVID-19: accelerating towards inclusive sustainable development".

Prof. Hatab said Agri-food SMEs (90% of business and up to 60% of employment) have been particularly affected, because their operations rely more heavily on labour than machinery.

At the height of the COVID-19 pandemic, some African countries imposed lockdowns, shutting down their productive sectors. These lockdowns savaged the informal sector

and small businesses which rely heavily on labour. In October 2020, the World Bank predicted that the economic fallout from the COVID-19 pandemic would see growth in Sub-Saharan Africa fall to -3,3%.

Using Egypt as a case study, Professor Hatab said, "Agri-food SMEs make up 90% of Egyptian agri-food production and export firms, providing more than 90% of employment and accounting for more than 75% of agri-food exports. A recent survey (CHF MOSE, 2020) of the impact of the pandemic on 283 Egyptian SMEs shows that 3% of the sample enterprises permanently ceased business activities, while 54% stopped temporarily

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AFRICA BEYOND COVID-19

Acceleration towards inclusive and sustainable development



AEC Programme highlights

DAY 3 | Plenary Session 4

Harnessing Africa's on-going initiatives to better prepare for future emergencies: Climate change management, financing arrangements, digitalization, AfCFTA and economic governance

Moderator:
STEPHEN KARINGI
Director, Regional Integration and Trade Division, ECA



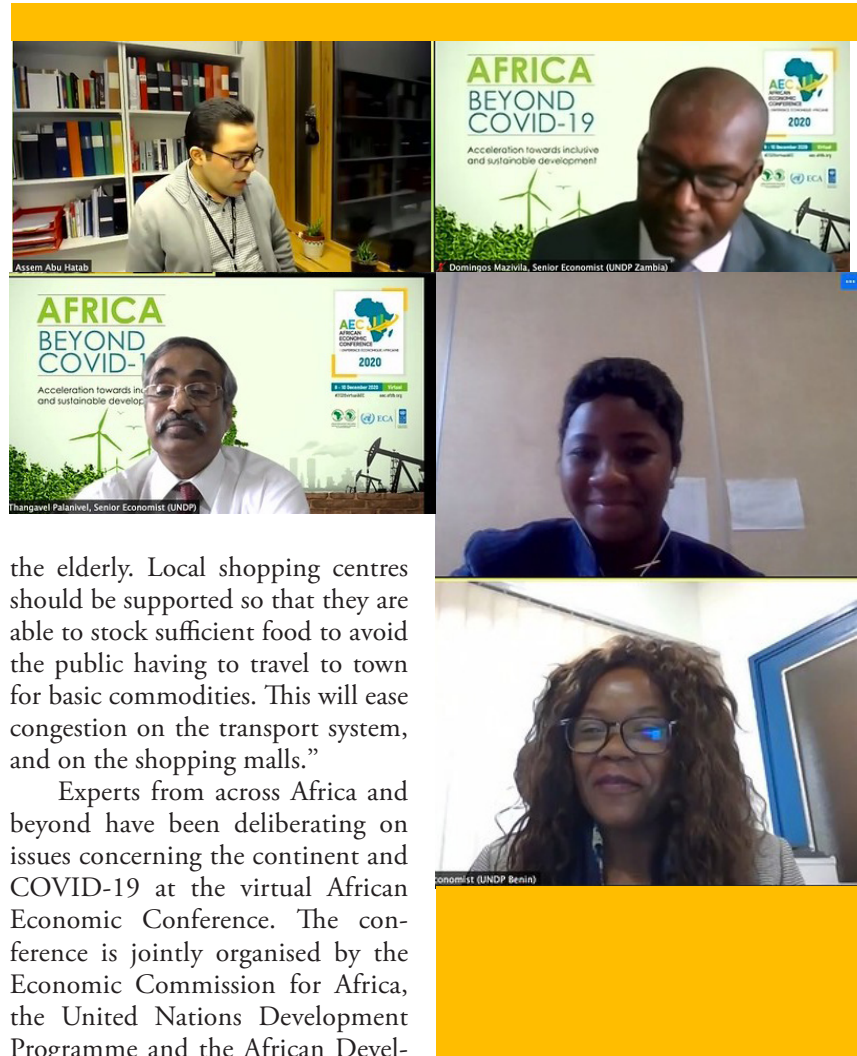


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due to confirmed COVID-19 cases within the workplace, government instructions, or lack of demand.”

He explained that a “just-in-time” approach, and the absence of a proactive and preventative stance to risk management, reduced SMEs’ resilience to the pandemic’s effects. He added that “SMEs traditionally emphasise short-term planning, have less codified policies and formalised structures to deal with unexpected situations, and react to unexpected shocks as they arise, usually with a focus on nothing more than the survival of the business.” Essentially, Africa needs to focus on building resilience for its SMEs.

Tariro Madzimure, an analyst, argued for policies to protect vulnerable groups from the perils of COVID-19 at the session, “Response to, Recovery from and Building Back Better after COVID-19: Successful Strategies for COVID-19 Recovery”. She recommended that, “Policies should be put in place to ensure ongoing access to food and other basic commodities for the poor population. Targeted support should be given to the less privileged, informal workers, women, children and



the elderly. Local shopping centres should be supported so that they are able to stock sufficient food to avoid the public having to travel to town for basic commodities. This will ease congestion on the transport system, and on the shopping malls.”

Experts from across Africa and beyond have been deliberating on issues concerning the continent and COVID-19 at the virtual African Economic Conference. The conference is jointly organised by the Economic Commission for Africa, the United Nations Development Programme and the African Development Bank.



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Acceleration towards inclusive and sustainable development

8-10 December 2020 Virtual
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AEC Programme highlights

DAY 3 | Plenary Session 4

Presentation of best of paper – overall and youth

Moderator:
DR. SAID ADEJUMBI
Director, Strategic Planning, Oversight and Results Division (UNECA)

Presentation of Conference Paper awards – overall and young researchers



Research into innovative ways to build economic resilience

New research on how to build resilient economies in the face of the COVID-19 pandemic has been presented at the 2020 virtual African Economic Conference. The research papers, which surveyed different countries on the continent, sought to find out how mobile banking, cash and food transfers, and social capital have been used as tools to build resilience in the fight against COVID-19. The findings were discussed during a session called, “Priorities for building resilient economies beyond-COVID-19” and will be critical going forward as Africa tries various ways to emerge stronger from the pandemic.

Millions of Africans, especially the majority working in the informal sector, have already lost their jobs following restrictive measures aimed at curbing the spread of the disease. Many African governments have offered different social safety nets

to those who have become unemployed during the pandemic. One research study in Nigeria assessed the effectiveness of social safety nets for households during the COVID-19 pandemic. Researcher, Raphael Olanrewaju Babatunde, found that most of the households surveyed preferred cash grants as they offered them more choice. The research also found that those who received cash transfers tended to be more nourished than those who received food transfers, after taking into account such factors as transaction costs. Cash transfers were also preferred by households headed by highly educated people, as they could easily access the money. However, bigger households, headed by people over 50 years old, preferred food transfers.

Francis Andrianarison, Senior UNDP Economist, Cameroon, noted that this research paper might have had a sampling distortion with regards to the

choice of households. Andrianarison argued that the samples were not randomly chosen, with 30% of the respondents having mixed preferences between food and cash transfers. He wondered how the researchers verified this mixed preference to determine relative preference for food or cash. Andrianarison added that the paper did not address the problem of stigmatization as a lot of people, not wanting to be seen as a disgrace, might have opted for cash transfers.

Another research study, carried out by Abdoulaye Ndiaye, looked at the immense potential of increasing financial inclusion through mobile banking. The paper, which surveyed 3,000 people in Senegal, found that access to mobile banking was associated with such variables as geography and level of education. The research found that the probability of high adoption of mobile banking was a function of proximity to service outlets, indicating a geographical factor.

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AFRICA BEYOND COVID-19

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AEC Programme highlights

DAY 3 | Closing ceremony/remarks

Moderator:

DR. HANAN MORSY
Director of Macroeconomic Policy, Forecasting and Research Department, African Development Bank (AfDB)

DR. BARTHOLOMEW ARMAH
Director of Macroeconomics and Governance Division, UNECA

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





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Moreover, people who had a bank account were also more likely to adopt mobile banking, the study found. The researchers recommended increased investment in relay distributors, especially in rural areas, where people have least access to financial services. Taib Diallo, a Senior UNDP Economist, DR Congo, responded to this research. He said that “given the complexity of the study, looking at two variables in the methodology” was not enough. “Econometrics is required to look at various variables,” said Diallo.

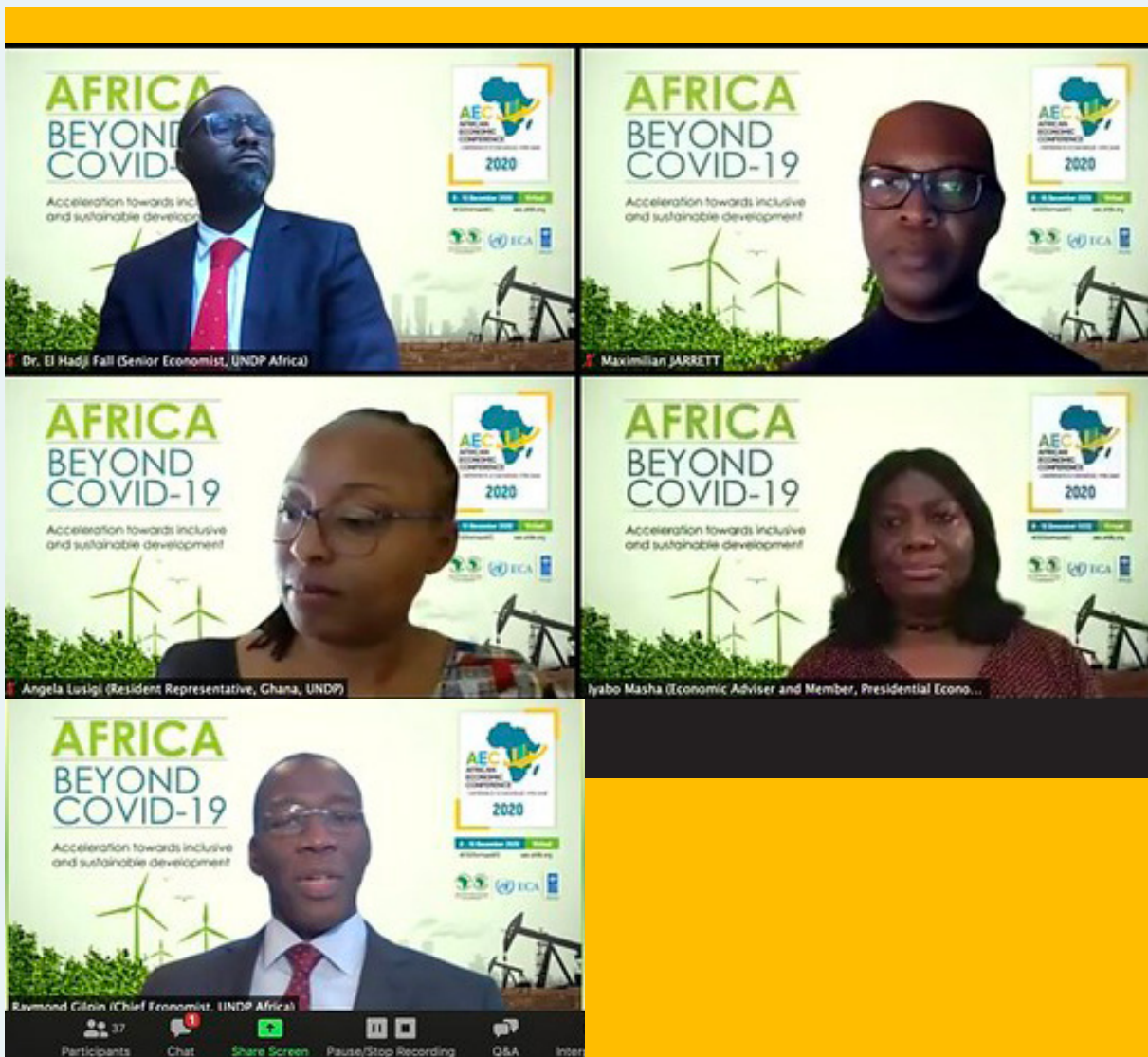
A research paper by Yaya Koloma looked at the preliminary

lessons from government responses to COVID-19 in Côte d’Ivoire and Senegal. It found that the provided financing could not solve all the problems facing small and medium enterprises (SMEs), most of which are in the informal sector. The study found that despite the good intentions, there was a big gap to be filled in the financing of SMEs. Some of the intervention methods that were used, including offering tax relief, did not benefit most of the players in the informal sector.

The final research looked at the place of social capital in helping deal with the shock of accidents, or in this case, health problems. The study found that

households that belonged to a religious organization were better equipped to deal with a shock than those which belonged to a neighbourhood association. Isiyaka Sabo, Senior UNDP Economist, Senegal, however, noted that the researchers did not say how or why this was the case.

Experts from across Africa and beyond have been deliberating on issues concerning the continent and COVID-19 at the virtual African Economic Conference. The conference is jointly organised by the Economic Commission for Africa, the United Nations Development Programme and the African Development Bank.



Africa is more prepared to fight new COVID-19 wave

Addis Ababa, Ethiopia, 8 December 2020 - Africa is better prepared to deal with a second wave of COVID-19 after stakeholders put measures in place to counter the initial pandemic's adverse health effects. This is according to a panel of experts who took part in a special event on the second day of the 2020 virtual Africa Economic Conference, with the theme, "Africa beyond COVID-19: Acceleration towards inclusive and sustainable development."

Dr. John Nkengasong, Director of Africa Centers for Disease Control and Prevention (Africa CDC), spoke at the gathering, titled "Post COVID-19 implications for strategic human capital development in Africa". He stated that, "The continent is much more prepared to deal with the second wave than we were 11 months ago."

About 2.3-million people in Africa have contracted COVID-19 to date, of which over 54,500 have died from the disease. However, much has been done to mitigate the adverse effects of the pandemic, including increasing laboratory testing capacity, beefing up primary healthcare defence mechanisms, and leveraging technology to reduce human contact. And as the world gears up for new COVID-19 vaccines, Dr. Feng Zhao, Practice Manager of Strategy, Operations and Global Engagement at the World Bank, revealed that Ethiopia is the country leading Africa's vaccine initiative. The World Bank unveiled US\$12-billion in financing to help developing countries procure Coronavirus vaccines.

Besides the financing, the World Bank, in partnership with the World Health Organisation and COVAX, will also provide technical support to participating countries so that they can prepare

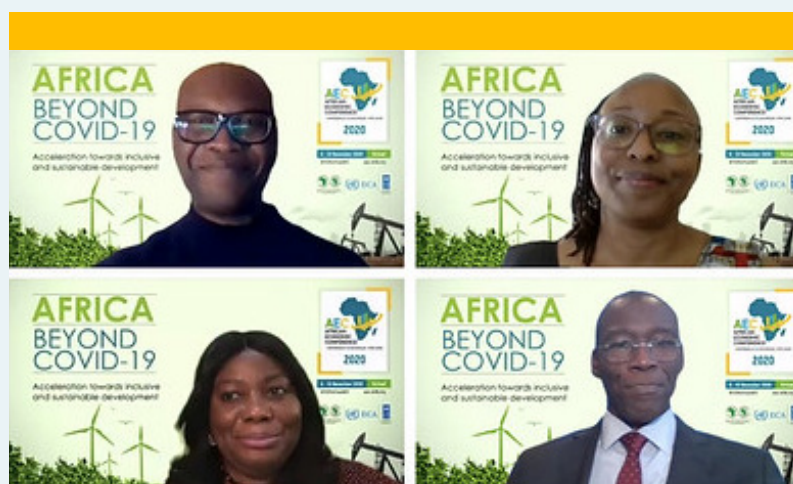
to deploy vaccines at scale. But there are concerns that Africa, according to Dr. Nkengasong, lacks a competent workforce, and remains a spectator of research and development. One area where Africa lags behind other regions is with the development of the vaccines, which a number of developed countries are already working on administering to their citizens. He, however, lauded African governments for speedily putting in place diagnostic measures against the outbreak. Within one year, he said, six countries have been able to develop diagnostics for this viral disease which started in China late last year. These countries are Nigeria, Kenya, South Africa, Senegal and Morocco. Clare Omatseye, President of the West African Health Federation, emphasized the need for a strategic partnership between the public and private sectors to effectively deal with the pandemic. She said one of the areas in which such a partnership has been instrumental, is in bringing about behavioural change, especially concerning misconceptions around the disease. Public-private partnerships, she added, could also help increase testing, data collection and capacity building. She added private sector players have been at the forefront in developing technolo-

gy apps which are playing a critical role during the pandemic, when most countries are implementing social distancing rules.

But she urged governments to create an enabling environment to allow private sector players to build factories to manufacture protective equipment.

Various players from civil society, to the private sector and governments, were asked to work together to not only fight back against the disease, but to also build resilience against future pandemics. "We have to work together to deal with the pandemic," said Dr. Raymond Gilpin, Chief Economist and Head of the Strategy, Analysis and Research Team at the United Nations Development Programme, Africa. Dr. Gilpin called for different actors on the continent to build capacity to stop the brain drain that had depleted Africa health workers at a time when the continent is grappling with one of its worst health pandemics.

AEC2020 is jointly organized by the AfDB, ECA and UNDP, and 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.



Back to Better, Not Normal

African researchers meeting this week must devise ways the continent's economy can do even better than before the coronavirus pandemic hit

Since the World Health Organization declared COVID-19 a global pandemic in March 2020, countries, societies, and individuals have struggled to respond to the pandemic's devastation of health systems, economies, trade, and human wellbeing. While Africa has been spared the pandemic's harshest health impacts, it has absorbed a heavy economic burden.

The economic crisis caused by the pandemic has demonstrated the need to rethink Africa's development model, as the world contemplates emerging from the pandemic and aims to build back economies quickly following the current shock—and ensure resilience against future ones.

Africa must do more than get back to normal: it must build back even better, an idea captured in the theme of Africa Economic Conference 2020,

Africa beyond COVID-19: Acceleration towards inclusive and sustainable development. The conference, being held 8-10 December and jointly organized by the United Nations Economic Commission for Africa, the African Development Bank and the United Nations Development Programme, provides a platform for established and up-and-coming academics to present solution-oriented research to policymakers and decision-makers.

Participants will discuss strategies to fast track economic transformation, including export diversification, digital innovation, and investment in health, water, energy, transport, information, and communications infrastructure.

Before the onset of the pandemic, Africa enjoyed robust and rising economic growth: 3.4 percent in 2019 and a projected 3.9 percent in 2020. Now, the Bank anticipates recession:

Africa's growth is forecast to *decline* by more than 3 percent, costing Africa up to \$237 billion through 2021.

However, there is variation among African countries. Most resource-intensive and tourism-dependent economies are expected to experience a drop in growth, while non-resource-intensive economies will likely remain steady.

This divergence offers a hint as to the way forward after the pandemic: Africa must diversify its trade exports away from natural resources and commodities, which are vulnerable to price fluctuations, and toward value-added and processed products, and also diversify its trading partners to enhance resilience against demand shocks from commodity importing countries.

To this end, the African Continental Free Trade Area Agreement (AfCFTA) has begun reducing trade barriers between African countries and helped increase the value of intracontinental trade. To fulfil the goals of the AfCFTA, African countries should implement export-friendly policies and strategies, as well as find new opportunities for diversification, industrialization, and value-chain development that will make trade more inclusive. The private sector and development partners have roles to play too.

A key vulnerability of African economies is the dominance of their informal sectors which, pre-pandemic, accounted for 67 percent of economic output in North Africa and 89 percent in sub-Saharan Africa. As most informal jobs can't be performed from home and don't provide social safety nets, lockdowns have driven poverty and inequality sharply higher.

A critical part of the recovery will be to figure out how policymakers, the private sector, and development partners can help formalize informal businesses and make the sector more resilient to future shocks.

As we focus on Africa's post-pandemic recovery, progress toward the

United Nations Sustainable Development Goals and the African Union's Agenda 2063 must be guiding stars. Potential tools to achieve this should include: innovative financing for recovery and initiatives to manage emerging risk; putting in place social safety nets and other measures aimed at the most vulnerable; and partnerships to galvanize public and private investments. Other creative solutions are also on the horizon, touching on the green economy, digital disruption, and social contracts.

Even prior to the pandemic, many African countries were fiscally constrained and carrying high debt burdens, with public debt-to-GDP ratios of over 60 percent. As a result, developed economies have been able to pour resources into fiscal stimulus packages to mitigate the health and economic impacts of the crisis while African countries have not.

Given their tight budgetary constraints and limited access to finance from foreign markets, many African countries have turned to international financial institutions (IFIs), including the African Development Bank, as lenders of last resort. IFI credit has supported health financing and sustained livelihoods during the pandemic.

Looking ahead, these partners must continue to work creatively with African governments, particularly the most fragile states, to find ways to revive economic growth and lessen debt burdens on development.

During the 2020 African Economic Conference we look forward to discussing with researchers and policymakers those innovative solutions and ideas that will bring Africa back even better than before.

Dr. Rabah Arezki, Chief Economist and Vice President, Economic Governance and Knowledge Management, African Development Bank and Dr. Adeleke Salami, Principal Macroeconomist, Macroeconomic Policy, Forecasting and Research Department, African Development Bank