Section 1: Recent Trends and Developments

1.1 GLOBAL TRENDS

The COVID-19 pandemic continues to spread around the world, inflicting a substantial toll on economies and societies.

The number of confirmed cases of COVID-19 has surpassed 33 million globally, with more than one million deaths. New cases are accumulating at a rate of more than 300,000 per day, with particular concentrations in Latin America, India, South Africa, and the Russian Federation among emerging markets and developing economies (EMDEs) and the United States among advanced economies (figure 1.1). Government containment measures have eased modestly since April in most countries, but new waves of infections have forced some countries to reintroduce controls, while the risk of flare-ups has prevented other countries from returning to normal (figure 1.2).

In addition to the unprecedented health crisis, the world is in the midst of the deepest global recession since World War II. The World Bank’s June Global Economic Prospects report forecasted that the global economy would shrink by 5.2 percent this year, with activity in EMDEs falling by 2.5 percent—their first contraction in at least 60 years (World Bank 2020q). The global economy suffered an unprecedented and synchronized collapse in activity in the first half of the year, with many countries experiencing double-digit contractions in activity, led by weakness in services consumption. In China, the first country to be affected, activity fell 6.9 percent year-on-year in the first quarter of 2020. In the second quarter, activity plummeted 9.1 percent in the United States and 14.7 percent in the euro area year-on-year, primarily...
reflecting declining personal consumption, but with exports and business investment also falling. Other countries have experienced similarly unprecedented declines. Gross domestic product (GDP) growth was down 11.4 percent year-on-year in Brazil, 9.9 percent in Turkey, 17.1 percent in South Africa, and 18.7 percent in Mexico (figure 1.3).

Economic data have followed a similar pattern in many countries, with a precipitous initial contraction followed by a rebound that is initially strong, but that decelerates well before regaining the pre-pandemic level. China's economy led the rebound, growing by 3.2 percent year-on-year in the second quarter, while industrial production rose 5.6 percent year-on-year in August. Activity in many other countries remains depressed. In July, industrial production was down 10.4 percent in India, 11.3 percent in Mexico, 14.8 percent in the Philippines, and 10.6 percent in South Africa. On aggregate, there has been a marked stabilization in global activity in recent months, as is apparent in the consensus growth forecasts (figure 1.4). Global industrial production and trade rebounded in June and July, but they remain about 5 percent below their highs at the end of last year. Incoming mobility data suggest that the pace of the recovery is already slowing in many countries as COVID-19 cases rise and the impact of fiscal stimulus on growth fades. Workplace mobility is particularly constrained for many countries in the Latin America and the Caribbean and South Asia regions, with some countries remaining a third or more below normal levels.

Vulnerabilities in financial markets have increased substantially as a result of the global pandemic, with central bank easing playing an important role in maintaining stability. After a sharp correction at the beginning of the year, global equity markets have generally regained their pre-pandemic levels despite lower corporate earnings. Many advanced economies' borrowing costs remain at or
near record lows, helping to finance a substantial increase in deficits. A frantic flight to safety in March led to severe capital outflows and a sharp rise in borrowing spreads for EMDEs, which was alleviated by rapid policy support from central banks. Despite this, a degree of risk aversion and sharply higher deficits and debts in EMDEs mean that spreads remain higher than at the start of the year (figure 1.5).

Most commodity prices bounced back in recent months, although the recovery has been uneven (figure 1.6). The price of Brent crude oil fell from about $60 per barrel (bbl) at the beginning of the year to below $20/bbl in April, before rising to $44/bbl in August. However, oil prices have faltered in recent weeks amid uncertainty about the strength of the recovery in demand. The International Energy Agency expects oil demand to fall by nearly nine million barrels a day (b/d) in 2020, a 0.4 million b/d downward revision compared with its August forecast. The Organization of the Petroleum Exporting Countries (OPEC) and its partners tapered cuts as expected in August, reducing their production cuts by two million b/d; however, the group aims to improve compliance with cuts and thereby limit the total impact of the taper on supply. Oil prices averaged a little above $40/bbl during August-September and are expected to remain close to their current levels into 2021. The prices of base metals have recovered and are now above their January levels, boosted by infrastructure stimulus in China and, for copper, by COVID-19-related supply disruptions in Latin America. Metals prices are expected to rise slightly in 2021, in line with the expected rebound in global demand. Agricultural prices have been impacted the least by COVID-19. Global food commodity markets are well-supplied. However, food insecurity remains a key concern, especially for low-income countries, and localized price hikes are an ongoing risk, particularly in countries where supply chains have been severely hampered.\(^1\)

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\(^1\) Recent developments and the outlook for the prices of the main commodities exported by Sub-Saharan African countries are reported in box OA1, in the online appendix.
1.2 RECENT DEVELOPMENTS IN SUB-SAHARAN AFRICA

Evolution of the COVID-19 Pandemic in Sub-Saharan Africa

Since the April 2020 *Africa’s Pulse*, the number of infections in Sub-Saharan Africa has increased considerably but new COVID-19 cases have started to decline.

As of September 23, 2020, a cumulative total of 1,116,682 COVID-19 cases have been reported in Sub-Saharan Africa, a rapid increase from slightly more than 5,000 cases in early April.\(^2\) South Africa accounts for about 60 percent of all reported confirmed cases in the region. The other countries that have reported large numbers of cases include Ethiopia (70,422), Nigeria (57,613), Ghana (46,116), Kenya (37,218), Cameroon (20,598), Côte d’Ivoire (19,343), Madagascar (16,136), Senegal (14,759), Zambia (14,389), and Sudan (13,578) (figure 1.7). Together, South Africa and these countries account for more than 85 percent of all reported cases in the region. The total number of reported deaths was 24,026, giving an overall mortality rate of 2.2 percent. Five countries—South Africa, Nigeria, Ethiopia, Sudan, and Kenya—accounted for more than 80 percent of the total deaths reported in the region (figure 1.8). Chad (7.5 percent), Liberia (6.3 percent), Sudan (6.2 percent), Niger (5.9 percent), Mali (4.4 percent), Tanzania (4.1 percent), and Angola (3.9 percent) registered the highest country-specific case mortality ratios.

After rising rapidly through July, the number of daily new cases in the region has slowed in recent months, partly reflecting...
the marked decline in daily new cases in South Africa, the epicenter of the pandemic in the region (figure 1.9). A total of 29,710 new confirmed COVID-19 cases and 921 new deaths were reported in 46 countries between September 9 and 15, 2020. These were decreases of 14 and 22 percent in new cases and deaths, respectively, as compared with 34,564 cases and 1,773 deaths registered during August 2 to September 8, 2020.3 Overall, despite recent gains, South Africa continues to bear the highest burden of COVID-19 in Sub-Saharan Africa, accounting for nearly half of all new cases, followed by Ethiopia, Nigeria, and Kenya.

With cumulative cases per million people estimated at 1,007 as of September 15, 2020, Sub-Saharan Africa remains one of the regions least affected by the COVID-19 pandemic. The current figures in the region represent 3.5 percent of confirmed COVID-19 cases and 2.5 percent of deaths reported worldwide. South Africa is ranked eighth globally, although with relatively low numbers of deaths. So far, with the notable exception of South Africa, Sub-Saharan Africa appears to have escaped the worst of the COVID-19 pandemic, which spread quickly from Asia to the Middle East, Europe, Latin America, and the United States during the first half of 2020. Decisive containment measures taken early on may have contributed to the reported low rates of infection and death along with the younger age structure of the population, but great uncertainty surrounds the scale and trajectory of the pandemic in the region.

Although testing has increased in recent months, it is still low compared with other regions and concerns remain that transmission of the virus could be accelerating in some countries. Although testing in the region as a whole is low, there is wide variation in testing across countries (figure 1.10). Only eight Sub-Saharan African countries had conducted more than 200,000 total tests by September, with South Africa and Ethiopia conducting more than one million tests. South Africa has so far conducted about four million tests (more than 67,000 tests per million people) and Ethiopia has conducted nearly 1.2 million tests (more than 10,000 tests per million people). Nigeria’s population is about 207 million people, and the country has only conducted 2,328 tests per million people. Box 1.1 briefly describes some successful health responses to COVID-19 in the region.

3 World Health Organization situation reports for the Africa Region.
The drop in new cases has encouraged countries across the region to ease restrictions on economic activity. Since late April, countries across the region have gradually eased the restrictions they had adopted to slow the spread of the COVID-19 virus (figure 1.11). Limited social safety nets, difficulties in reaching the most vulnerable communities, and the need to protect jobs, incomes, and small enterprises prompted the authorities in some countries to lift lockdowns and other restrictions even before infections had peaked. In recent months, as the epidemiological situation has improved, with new cases dropping, containment measures have eased further. Lockdowns are being lifted, the state of
emergency terminated, and travel restrictions relaxed. Public transportation, places of worship, and bars are resuming their activities. In some countries, the reopening of schools and borders and resumption of domestic and international flights have been accompanied by protocols for testing and quarantine for new arrivals, continued social distancing guidelines, and mandatory use of masks, among other measures. In a few countries where the authorities are struggling to control new cases, containment measures have remained in place.

**As countries started easing restrictions, community mobility recovered gradually.**

Community mobility toward retail and recreation places, as well as public transportation, declined rapidly as governments implemented containment measures and reached a trough by mid-April. Mobility toward public transportation hubs at the trough was more restricted in South Africa, with declines of 75 to 80 percent, compared with a baseline (no-COVID-19) period. In the same period, community mobility was less restricted in Cameroon and Côte d’Ivoire. Community mobility started to increase gradually even when the daily number of COVID-19 confirmed cases was growing (from May to July). In countries across Sub-Saharan Africa, community mobility continued to surge—particularly to retail and recreation locations—as the number of COVID-19 confirmed cases grew at rapidly declining daily rates since mid-August 2020. By early September, community mobility to recreation and retail places was more than 15 percent above the baseline (no-COVID-19) scenario in Cameroon and Ghana. It is still below that benchmark in Kenya and South Africa (figure 1.12). Community mobility toward public transportation has increased at a slower pace. It was about 15 percent above the baseline scenario by early September, while it is still very restricted (40 percent below the baseline) in South Africa (figure 1.13).

**Source:** Google COVID-19 Community Mobility Report.

**Note:** Data are as of September 11, 2020.
Africa appears to have held off the worst of the COVID-19 pandemic so far. Although the pandemic is still not under control in the region, there are some cases where governments have been able to reduce the spread of infections. Those governments that have acted rapidly, followed science, implemented effective communication strategies, and incorporated innovative solutions obtained positive results on containing the pandemic. However, successful containment measures come with a high economic cost, as levels of economic activity contracted at a record pace at the height of the lockdown. Experience around the world shows that leadership and citizen compliance are important elements of a successful health strategy, along with having a resource base and high levels of preparation. This box highlights two examples of successful containment measures to fight against the spread of COVID-19: Mauritius and Senegal.

**Mauritius**

Mauritius has successfully contained the number of infections and deaths from COVID-19, registering no fatalities for almost five months. This is due to the government’s quick response to the health pandemic. The country is still facing the severe economic costs of a sharp decline in economic activity during the second quarter of 2020. For instance, industrial production plunged 40.4 percent year-on-year in 2020Q2. The Government of Mauritius, an island with 1.3 million people, responded rapidly to curb the transmission of the pandemic. In the second half of January, it put in place a series of protocol measures for passengers arriving from abroad—including temperature checks and 14-day quarantines for travelers from high-risk countries. After registering the first three COVID-19 cases by mid-March, the country closed its borders and implemented a full lockdown on March 24. The stringency of the containment measures imposed on the island is reflected in the Oxford COVID-19 Government Response Stringency Index for April and May (figure B1.1.1).

**Figure B1.1.1:** COVID-19 Daily New Cases and Deaths and the Stringency of Containment Measures

Source: Our World in Data.
Note: Daily new cases and total deaths are seven-day averages.
Health services in Mauritius were fully functional, including hotline phone services to respond to the public’s queries. Health teams were set up to provide home visit consultations and basic treatment. The mobile application beSafeMoris, launched on March 26, enabled citizens to obtain real-time information about health and safety measures. Rapid response teams were formed to transfer patients with COVID-19 to quarantine and treatment centers. Contact tracing teams were responsible for identifying related cases (Kowlessur et al. 2020).

COVID-19 testing also became a priority at the onset of the pandemic. Front-line health workers were regularly tested. People who were asymptomatic and those with compatible symptoms to COVID-19 were tested. The country leads Africa in testing per 1,000 people (193.6), a rate that is comparable to that of Norway and New Zealand. The rapid response from the government and public support and compliance were key to controlling the pandemic. As of September 28, 2020, 343 of 367 confirmed cases in the country had recovered, 10 had died, and 14 cases remained active. The country has not registered any deaths since the end of April.

**Senegal**

Senegal has successfully reduced the number of cases since the middle of August and slowed the death rate in September 2020. Despite of the country’s successful containment measures, economic activity declined during the second quarter of 2020. For instance, industrial production fell by 3.7 percent year-on-year in May. Senegal’s strategy to combat the health effects of the pandemic included fast action, clear communication, and learning from the 2014 Ebola lessons. The government prepared contingency plans when COVID-19 was declared an international public health emergency. When the first case was confirmed, the Health Emergency Operations Center was activated. Senegal also declared a state of emergency, enforced a curfew, and suspended domestic and international travel (Travaly and Mare 2020).

Testing capacity was ramped up with mobile labs that returned results within a day (or as fast as two hours in some cases). Innovation played a role in the country’s fight against the pandemic. The Institut Pasteur in Dakar developed a diagnostic test for COVID-19 at an affordable cost (US$1) to be used at home and producing immediate results. Senegalese researchers used 3D printers to manufacture ventilators for as low as US$160. Hotels were transformed into quarantine units and Senegalese Red Cross volunteers distributed food to people under 14-day quarantine who had been in contact with confirmed cases.

The Ministry of Health provided regular updates on the numbers of infections, fatalities, and recoveries. Temperature checks and bottles of hand sanitizer have been available at every grocery store and restaurant, and citizen compliance has been high. As of September 28, 2020, Senegal has 40 new cases daily—down from about 150 in mid-August (figure B1.1.1). More than 80 percent of the 14,919 confirmed cases have recovered, and 309 have died. Senegal has made extraordinary progress, but the pandemic crisis is still ongoing.
ECONOMIC IMPACT OF THE COVID-19 PANDEMIC

While the COVID-19 pandemic has evolved more slowly in Sub-Saharan Africa than in other regions, it has exerted a sizable toll on economic activity.

The main channels through which the COVID-19 pandemic has impacted economies in Sub-Saharan Africa have been (1) the drop in domestic production resulting from lockdowns and other restrictions on nonessential business operations as countries implemented strict containment measures to limit the spread of the COVID-19 virus, (2) the impact on demand for goods and services as lockdowns decreased household incomes, and (3) the disruption of global trade and its effects on commodity prices and exports. The combination of domestic lockdowns and lower external demand from the global recession weighed heavily on economic activity across the region in the first half of 2020. Activity contracted sharply in many countries in the second quarter of the year, driven on the demand side by lower consumption, investment, and exports and, on the supply side, by large declines in industry and service sector output. The economic effects of the pandemic were particularly pronounced among resource-intensive countries, including South Africa and Nigeria—the region’s two largest economies. At the sub-regional level, East and Southern Africa experienced a larger decline in output as a result of the COVID-19 pandemic than West and Central Africa, due to Southern Africa’s greater dependence on fuel and mineral exports.4

East and Southern Africa

In South Africa, where containment measures were particularly severe, the economy collapsed in 2020Q2. Real GDP contracted by 17.1 percent, year-on-year, following a 0.1 percent year-on-year expansion in 2020Q1. During April-June, the South African economy operated under widespread lockdown restrictions in response to the spread of the COVID-19 virus. The lockdown caused steep output declines across all sectors except agriculture, which expanded (figure 1.14). On the expenditure side, the fall in GDP in the second quarter was driven by strong declines in household consumption, exports, and investment (figure 1.15). The 2020Q2 GDP contraction also meant that South Africa’s GDP had fallen for four consecutive quarters, prolonging the recession that began in the second half of 2019.

Angola, Sub-Saharan Africa’s second largest oil producer after Nigeria, saw its economy contract by 1.8 percent year-on-year in 2020Q1, hit by the fallout from the COVID-19

In South Africa, lockdown measures caused steep output declines across all sectors except agriculture in the second quarter of 2020.

FIGURE 1.14: South Africa: GDP Growth, Production Side, 2020Q2 (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>GDP Growth (2020Q2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>-7.2</td>
</tr>
<tr>
<td>Construction</td>
<td>-13.7</td>
</tr>
<tr>
<td>Finance</td>
<td>-13.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-11.4</td>
</tr>
<tr>
<td>Mining</td>
<td>-16.9</td>
</tr>
<tr>
<td>Trade and accomodation</td>
<td>-9.3</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>-10.0</td>
</tr>
</tbody>
</table>

Source: Statistics South Africa.

4 Since July 2020, for operational purposes, the World Bank Africa Region has been split into two subregions—West and Central Africa and East and Southern Africa. The analysis in this section reflects this setup.
pandemic and the decline in oil prices. Due in part to the OPEC+ quotas, oil production decreased in April and May, followed by a modest rebound in June, suggesting that the economy probably contracted further in 2020Q2. Metals exporters suffered a drop in base metals prices as the pandemic caused a sharp fall in demand from China, which accounts for half of global metals consumption. While international commodity markets for precious metals held up better than anticipated owing in part to investors’ preference for gold as a safe haven, mining production and the non-mining sector, especially transportation and services, were hit hard by the lockdowns. In Botswana, real GDP contracted by 24 percent year-on-year in 2020Q2, following a 2.6 percent year-on-year expansion in 2020Q1. In Namibia, after falling by 1.8 percent year-on-year in 2020Q1, economic activity contracted further by 11.1 percent in 2020Q2 (figure 1.16).

Among non-resource-intensive countries, performance was mixed. In some countries, including Kenya and Ethiopia, which had been growing at a robust pace, activity slowed substantially in 2020Q2 as containment measures to limit the spread of the COVID-19 virus took hold. In Kenya, large contractions in services and industrial production weighed on growth. Ethiopia, in addition to COVID-19,

![FIGURE 1.15: South Africa: GDP Growth, Expenditure Side, 2020Q2](image)

### FIGURE 1.15: South Africa: GDP Growth, Expenditure Side, 2020Q2

On the expenditure side, the GDP contraction in the second quarter of 2020 in South Africa was driven by strong declines in consumption, investment, and exports.

![FIGURE 1.16: East and Southern Africa: GDP Growth in Resource-Intensive Countries, 2020Q1-Q2 (%)](image)

### FIGURE 1.16: East and Southern Africa: GDP Growth in Resource-Intensive Countries, 2020Q1-Q2 (%)

Resource-intensive countries in East and Southern Africa experienced a sharp contraction in economic activity in the second quarter of 2020.
battled a locust invasion amid heightened political uncertainty. While non-resource-intensive countries benefitted from lower oil prices, the prices of their main export commodities, such as coffee and oilseeds, have been adversely affected by the crisis. Countries that are relatively more dependent on tourism, such as Mauritius and the Seychelles, were also strongly impacted (figure 1.17). Tourism has been hit hard by the pandemic, with a collapse in the number of visitors.

**West and Central Africa**

The decline in economic activity followed a similar pattern in West and Central Africa, but it was relatively less pronounced, reflecting differences in the extent of containment measures. Nigeria’s real GDP contracted by 6.1 percent year-on-year in 2020Q2—the worst result in more than a decade. The contraction, which followed growth of 1.9 percent year-on-year in 2020Q1, resulted from a decline in output in the oil and non-oil sectors (figure 1.18). The oil sector contracted by 6.6 percent year-on-year in 2020Q2, after holding up relatively well in 2020Q1, as crude oil production decreased amid OPEC+ mandated production cuts. Growth in the non-oil sector fell by 6.1 percent year-on-year in 2020Q2, following a modest expansion of 1.6 percent in 2020Q1, as COVID-19 containment measures hit critical activities such as transportation and storage, accommodation and food services, construction, retail trade, and manufacturing (figure 1.19).

Other resource-intensive countries in the subregion also experienced a sizable contraction in economic activity in the second quarter of 2020. Oil exporters—Chad, the Republic of Congo, Gabon, and Equatorial Guinea—all members of the Economic and Monetary Community of Central Africa (CEMAC)—were hit by the fall in oil prices in the first half of the year. Oil production fell and, in
addition, service sector activities were strongly affected by social distancing measures (figure 1.20). Among metals exporters, activity held up in some countries, as gold production remained robust, helping to mitigate the adverse impact of the pandemic on the service sector. However, economic activity was depressed in most metals exporters. In some cases, the effects of the pandemic were accentuated by the loss of nontraditional exports, including fish, as in Mauritania. Non-resource-intensive countries, which include the fastest growing economies in the West African Economic and Monetary Union (WAEMU) as well as Ghana, performed relatively better in 2020Q1, but all experienced a significant slowdown in activity in 2020Q2 as containment measures were implemented. Ghana’s economy shrank 3.2 percent year-on-year in 2020Q2, following a 4.9 percent expansion. Agriculture sector growth partially offset output contractions in the service and industrial sectors (figure 1.21). Among fragile and conflict-affected countries, the COVID-19 shock compounded the security crisis in the Sahel region.

**FIGURE 1.19: Nigeria: GDP Growth, by Sector**

In Nigeria, containment measures to limit the spread of COVID-19 hit industry hard.

**FIGURE 1.20: West and Central Africa: Oil Production in CEMAC Countries**

Oil production fell among oil exporters in the Economic and Monetary Community of Central Africa.

**FIGURE 1.21: West and Central Africa: GDP Growth in Non-Resource-Intensive Countries, 2020Q1-Q2 (%)**

The impact of COVID-19 on non-resource-intensive countries in West and Central Africa has been mixed, but activity contracted in some countries in the second quarter of 2020.


Source: Trading Economics.

Note: CEMAC = Economic and Monetary Community of Central Africa.

Source: Trading Economics.

Note: GDP = gross domestic product.
Survey data suggest that the economic contraction in the region in the first half of 2020 has bottomed out, but the recovery remains subject to significant uncertainty.

High-frequency indicators, including the Purchasing Managers Index (PMI), point to a rebound in economic activity in the region at the start of 2020Q3, as demand improved following the easing of COVID-19 containment measures in many countries. However, the rebound has been moderate and uneven. In West and Central Africa, Nigeria’s PMI readings in September were still below the 50-point mark, which denotes contraction. The Central Bank of Nigeria’s manufacturing and non-manufacturing PMIs for September suggest that economic activity remained subdued at the end of 2020Q3. After rising from 44.9 in July to 48.4 in August, the manufacturing PMI decreased to 46.9 in September, while the non-manufacturing PMI was at 41.9 in September, down from 44.7 in August, as production and new orders fell. Among other countries in the subregion with survey data, Ghana’s economywide PMI rose from 49.7 in July to 51.2 in August, indicating that a moderate recovery in private sector activity was underway, with growth of new orders supporting expansion in business activity and employment (figure 1.22). In Côte d’Ivoire, industrial production picked up, but the expansion in manufacturing production has been slower (figure 1.23).

In East and Southern Africa, output and confidence data signal a moderate rebound in South Africa after the large GDP contraction...
in 2020Q2. The Absa PMI registered a solid increase to 58.3 in September, up from 57.3 in August, indicating further improvement in conditions in the manufacturing sector after COVID-19 lockdown restrictions eased to level 2 in August (figure 1.24). Following a decline to an all-time low in 2020Q2, the business confidence index rebounded in 2020Q3 (figure 1.25). Similarly, the consumer confidence index recovered some lost ground in 2020Q3 as the gradual lifting of restrictions and the resumption of economic activity allowed consumers to return to work and government transfers helped bolster households’ financial conditions (figure 1.26).

Although high-frequency indicators generally show a pickup in economic activity from extremely low levels in April and May, getting back to pre-pandemic output levels will likely take time. South Africa’s economy remains fragile. Business and consumer confidence is still heavily depressed. Despite a third consecutive monthly increase, manufacturing production was still down by 10.6 percent year-on-year in July. Similarly, despite a solid 20 percent monthly increase, mining production

FIGURE 1.24: East and Southern Africa: South Africa: Manufacturing PMI

Business confidence in South Africa rebounded in the third quarter of 2020.

FIGURE 1.25: East and Southern Africa: South Africa: Business Confidence Index

In South Africa, the manufacturing PMI points to a rebound in economic activity in the third quarter of 2020, following the sharp GDP contraction in the second quarter.

FIGURE 1.26: East and Southern Africa: South Africa: Consumer Confidence Index

Consumer confidence in South Africa also rose in the third quarter of 2020 after a sharp drop in the second quarter.
Retail sales have been weaker than expected and new vehicle sales contracted sharply in August, suggesting that households remain under pressure as they grapple with the COVID-19 shock. With electricity production slowing, continued load shedding could dampen the nascent recovery.

Outside South Africa, the available economywide PMI data highlight mixed conditions in the private sector (figure 1.27). In Kenya, the PMI rose from 46.6 in June to 54.2 in July before moderating to 53.0 in August. Notably, export orders picked up, as the reopening of international travel supported an uplift in tourism. However, the employment subcomponent indicated that firms are scaling back on wage costs. Weaker job growth highlights the underlying challenges to a sustained recovery, even as business confidence has improved in recent months. In Uganda, the headline PMI jumped from 50.3 in July to 54.6 in August, the highest reading since prior to the COVID-19 outbreak. By contrast, in Zambia, consumer demand remained weak in 2020Q3, contributing to a further reduction in business activity. The PMI fell to 43.4 in August from 44.6 in July, reflecting the weakness in investment demand. In Mozambique, the headline PMI dipped from 46.2 in July to 46.1 in August, indicating continuing contraction in private sector activity.

**External positions are expected to improve gradually as commodity prices and exports recover slowly.**

Weak external demand and low commodity prices worsened the external positions of countries across the region in the first half of 2020, giving rise to significant balance of payments financing needs. Commodity prices have been gradually recovering from their lows in the second quarter of 2020. Brent crude oil prices averaged $42 per barrel in the first eight months of 2020 and rose notably over the past two months, supported by relatively high compliance with OPEC+ reductions and partial recovery in global demand. However, crude oil prices are subject to considerable variation due to the uncertainty about the evolution of the pandemic. Base metals prices rallied in July and August, driven in part by a robust recovery in China and the decline in output due to mine closures in Latin America following a pickup in COVID-19 outbreaks.

Sub-Saharan Africa’s median current account deficit is expected to widen from -4.8 percent of GDP in 2019 to -6.9 percent of GDP in 2020, the highest since the 2014 commodity price shock, before moderating to -4.9 percent of GDP in 2021 as commodity prices firm and a recovery in external demand helps boost exports (figure 1.28). However, the extent of the improvement will vary across country groups.
Across the subregions, oil exporters are expected to see a significant fall in their current account deficits (figure 1.29), as exports recover from their sharp contraction in 2020, supported by higher crude oil production and stable prices. However, although improving, current account deficits among oil exporters in the CEMAC region are expected to remain well above their 2019 levels, suggesting that these countries will continue to face significant balance of payments constraints in 2021.

Among metals exporters, the current account deficit is expected to widen in 2021 before narrowing in 2022. Current account deficits among metals exporters in West and Central Africa are projected to remain particularly elevated, partly due to the resumption of import-intensive mining projects that had been postponed in response to the COVID-19 pandemic and also because of the slower recovery of exports (figure 1.30). Among non-resource-intensive countries, the current account deficit is expected to narrow on the back of a robust rebound in exports. This improvement will be led by countries in the West and Central Africa subregion as they see exports pick up following a sharp contraction in 2020.
External financing conditions remain difficult.

Countries in the region continue to see private capital inflows slow (figure 1.31). In the first half of 2020, Eurobonds issued in the region, mainly by Gabon and Ghana, totaled US$4 billion. In February, Gabon issued a US$1.0 billion, 11-year maturity Eurobond with a 6.6 percent coupon rate. Ghana issued three Eurobonds totaling US$3.0 billion in February-March. First, on February 11, it issued two Eurobonds of 7 and 15 years, respectively. The 7-year portion of the issue (US$1,250) was priced at 6.4 percent, while the 15-year tranche (US$1.0 billion) was priced at 7.9 percent. On March 11, Ghana issued a 41-year Eurobond, Sub-Saharan Africa’s longest-ever selling Eurobond, amounting to US$750 million, with a coupon rate of 8.8 percent. During February-May, as the pandemic took hold, risk sentiment deteriorated sharply, and the region experienced large capital outflows. Following massive support from central banks in advanced economies, global liquidity conditions improved, and private capital outflows moderated. Yet, although capital flows to EMDEs have generally picked up, access to capital markets remains difficult for countries in the region. In 2020Q3, no Eurobonds were issued in the region and none have been issued so far at the start of 2020Q4. A pronounced degree of risk aversion and sharply higher deficits and debts in the region have kept sovereign bond spreads elevated.
In addition to the low private capital inflows, remittances—a key source of financing for a large number of countries in Sub-Saharan Africa and an important contributor to the balance of payments—are expected to decrease by 23 percent this year before rebounding moderately in 2021. Recession and the rise in unemployment in countries with large numbers of migrants from Sub-Saharan Africa, particularly the European Union (France, Italy, and Spain), the United States, the Middle East, and South Africa, are expected to translate into substantially lower remittances. The impact on individual countries will vary. Countries in which remittances account for a large proportion of GDP (South Sudan, Lesotho, and The Gambia) are the most vulnerable, while remittances are expected to hold steady in countries with diverse remittance sources, such as Kenya. In addition to tourism losses and the downturn in remittances, foreign direct investment (FDI) flows are also expected to remain weak as low commodity prices and uncertainty weigh on investment.

With access to international capital for sovereign borrowing limited and remittance and FDI flows slowing, the external financing needs associated with the large current account deficits are being covered mostly through official financing, including exceptional budget support from international financial institutions. This has helped support foreign reserves while exchange rates are depreciating against the U.S. dollar, especially in countries where financing needs are high.

Inflation has picked up.

The region’s median inflation rate is estimated to have increased from 2.3 percent in 2019 to 3.5 percent in 2020, and it is expected to continue to rise into 2021 (figure 1.34). However, these aggregates mask significant variation among countries. In 2020, the inflation rate was in double digits in 12 countries, compared with nine countries in 2019. Sudan and Zimbabwe continued to experience annual inflation rates of over 100 percent. At the subregional level, in East and Southern Africa, inflation rose most rapidly among non-resource-intensive countries, reflecting deteriorating conditions in Sudan and Zimbabwe. Metals exporters followed, with the Democratic Republic of Congo and Zambia seeing their inflation rates rise rapidly into double digits. In the Democratic Republic of Congo, inflation jumped above 30 percent year-on-year in July before easing slightly in August. Among oil exporters, inflation rates rose continuously in Angola, exceeding 23 percent year-on-year in August.
In West and Central Africa, inflation remained relatively low among oil exporters in CEMAC and non-resource-intensive countries in the WAEMU, owing to the stable peg of their currency—the CFA franc—to the euro. Elsewhere, inflation rose steadily in Nigeria, reaching 13.2 percent year-on-year in August from 12.8 percent in July. Inflation eased in Ghana but remained above 10 percent year-on-year in August. Finally, among metals exporters, inflation remained in high double digits in Liberia and Sierra Leone.

Most countries in the region experienced a broad-based rise in price pressures in 2020. Food inflation increased across the region as lockdowns put pressure on food prices. Inflation picked up in other categories, including housing and utilities. Policy makers’ measures to deregulate fuel prices contributed to an increase in transport inflation. In some countries, notably Angola and Zambia, pass-through from currency depreciation added to price pressures.

Monetary authorities in the region took action to ease monetary policy to mitigate the adverse effects of the pandemic. Most countries in the region had high interest rates before the COVID-19 crisis, prompting central banks, particularly those where inflation is well-anchored, to loosen monetary policy by cutting their policy rates early during the crisis to support economic activity, in line with conventional policy. The regional central banks for West African states (the Central Bank of West African States) and Central African states (the Bank of Central African States), as well as central banks in more than 30 countries, lowered interest rates, with rate cuts ranging from 25 to 500 basis points. In addition, central banks reduced reserve requirements on banks, purchased government securities, and provided regulatory capital relief to sustain lending by financial institutions to households and firms. It remains to be seen, however, whether and to what extent these measures have been effective in supporting economic activity in the region.

**Fiscal positions have deteriorated, and debt levels have increased.**

In response to the COVID-19 crisis, countries across the region implemented measures to address the humanitarian and economic impacts of the pandemic, using fiscal policy tools. These measures included investments to strengthen the health system; implementation of social emergency plans to support vulnerable households, notably with unconditional cash transfer programs; and support to the private sector, including through tax relief and central bank guarantees. Country authorities adopted a more accommodative fiscal stance to address...
these priorities. Entering the COVID-19 crisis, countries in the region had inadequate fiscal space and were constrained in their ability to finance the increased level of spending. The fall in GDP growth as a result of the pandemic, low revenue administration capacity, tax exemptions, and other relief measures provided to support the private sector further weakened government revenue. Increased fiscal spending and low revenue combined to worsen fiscal balances.

The region’s median fiscal deficit is projected to increase from -2.3 percent of GDP in 2019 to -5.9 percent of GDP in 2020 before declining to -5.4 percent of GDP in 2021 (figure 1.35). In East and Southern Africa, the fiscal deficit is projected to widen on average from -4.9 percent of GDP in 2019 to -9.0 percent of GDP in 2020, mainly due to a deterioration in the fiscal balances of Angola and South Africa—the subregion’s two largest economies (figure 1.36). Angola entered the COVID-19 crisis with a small fiscal surplus that is expected to turn into a deficit of nearly 3 percent of GDP due to the loss of oil revenues. South Africa’s fiscal performance, in particular, is expected to weaken significantly, with the fiscal deficit projected to rise from -6.4 percent of GDP in 2019 to -16.2 percent of GDP in 2020. Among other resource-intensive countries, the fiscal situation is expected to worsen in Zambia and Namibia. Among non-resource-intensive countries, the loss of tourism revenues has weighed heavily on fiscal balances in tourism-dependent economies, including Mauritius and the Seychelles. These economies are expected to experience a double-digit increase in their fiscal deficits in 2020.
In West and Central Africa, the fiscal deficit is projected to widen, on average, from 3.8 percent of GDP in 2019 to 6.4 percent of GDP in 2020 (figure 1.37). This average masks significant variation across countries in the subregion. In particular, non-resource-intensive countries are expected to see their fiscal deficits increase significantly. This is notably the case for Ghana and Cabo Verde, where the loss of revenue and increased fiscal spending are expected to result in double-digit fiscal deficits in 2020. Non-resource-intensive countries in the WAEMU, where convergence criteria have been temporarily suspended to allow greater flexibility in policy response, will also experience a deterioration in their fiscal balances. Among oil exporters, Nigeria is expected to see its fiscal deficit widen further to nearly 6.0 percent of GDP in 2020. The fiscal deficits of oil exporters in CEMAC are also projected to increase substantially, particularly in the Republic of Congo, as reduced oil production and weaker oil prices cause revenue to fall. Among metals exporters, fiscal deficits are expected to more than double as mining revenue stagnates.

The large fiscal deficits have pushed public debt levels higher. The region’s level of public debt is projected to increase from 58.5 percent of GDP in 2019 to 63.1 percent of GDP in 2020, rising further to 67.4 percent of GDP in 2021 (figure 1.38). In addition to the large fiscal deficits, low growth and exchange rate depreciation have contributed to the increase in debt levels. On average, public debt...
levels are higher in East and Southern Africa. In 2019, about 10 countries in this subregion had a debt level of over 60 percent of GDP. In 2020, this number is expected to rise to 15, slightly more than half of the countries. While figure 1.39 suggests that the high debt levels in the subregion are driven by oil exporters, this mainly reflects Angola’s debt, which is expected to rise significantly in 2020 and remain elevated through the forecasting period. Debt levels in the subregion are also expected to rise strongly among metals exporters, including Zambia and South Africa, due to their high financing needs. Among non-resource-intensive countries, debt levels are expected to worsen significantly in Mozambique, São Tomé and Príncipe, and Sudan, which entered the COVID-19 crisis already at high risk of debt distress.

In West and Central Africa, debt levels are projected to rise noticeably among oil exporters excluding Nigeria (figure 1.40). Although Nigeria’s public debt level is projected to rise, it is expected to remain below 30 percent of GDP in 2020. Instead, public debt is expected to rise sharply in the Republic of Congo as well as Gabon among oil producers in CEMAC. Among metals exporters, Liberia, Sierra Leone, and Mauritania are expected to see their debt levels rise, partly due to large fiscal deficits and exchange rate depreciation. Among non-resource-intensive countries, Ghana, tourism-dependent economies, and countries in WAEMU, which saw
The COVID-19 pandemic has increased debt vulnerabilities across the region, with more countries at high risk of debt distress or in debt distress as a result of the pandemic.

FIGURE 1.41: External Debt Distress

The COVID-19 pandemic has amplified debt vulnerabilities in the region. Prior to the crisis, the proportion of low-income countries in Sub-Saharan Africa assessed to be at high risk of external debt distress or in debt distress had increased to half. Amid heightened uncertainty in the global economy, an expansionary fiscal policy stance to respond to the crisis has diminished fiscal buffers, and an increase in risk aversion in financial markets has raised borrowing costs and financing risks. As a result, more countries in the region have been assessed at high risk of debt distress (figure 1.41). As the COVID-19 pandemic continues to impact the regional economy, it is likely to lead to a further deterioration in the region’s debt sustainability outlook.

Note: Covers board-approved disclosed and un-disclosed risk rating of Sub-Saharan African countries. At end-2019, 38 Sub-Saharan African countries included.
OUTLOOK

A severe economic downturn is expected in the region in 2020, followed by subdued growth in 2021 amid persisting global uncertainty about the evolution of the pandemic.

Outlook for 2020. The region’s real GDP is projected to contract by -3.3 percent in 2020, after expanding by 2.4 percent in 2019. While net exports will increase, mainly because of a faster decline in imports, lower domestic consumption and investment due to the COVID-19 pandemic and the related containment measures will push the regional economy into its first-ever recession over the past 25 years (figure 1.42). Sharp contractions in industry and services will drive the downturn from the supply side (figure 1.43). Despite its severity, the decline in regional growth in 2020 will be within the range of -2.1 to -5.1 percent, as projected in the April 2020 Africa’s Pulse.

The contraction caused by the pandemic was spread broadly across countries in the region. However, the decline in growth has been stronger among metals exporters, where real GDP is expected to contract by 6.0 percent, partly reflecting the large drop in output in South Africa (figure 1.44). Among oil exporters, after expanding by 1.5 percent in 2019, real GDP is projected to fall by more than 4.0 percent in 2020, owing to contractions in Angola and Nigeria. In contrast, for non-resource-intensive countries, the decline in growth in 2020 is expected to be moderate, on average. In several non-resource-intensive countries, including Côte d’Ivoire and Ethiopia, growth is expected to slow substantially but remain positive, owing to their more diversified economies. Meanwhile, the tourism-
dependent economies, especially those of Cabo Verde, Mauritius, and the Seychelles, experienced a sharp contraction as exceptionally weak international tourism severely impacted the service sector (figure 1.45).

The decline in growth in 2020 is expected to be larger in East and Southern Africa than in West and Central Africa (figure 1.46). This is partly due to the stronger output contraction in Southern Africa. South Africa and Angola—Southern Africa’s largest economies—are expected to experience sharp recessions in 2020 as the COVID-19 pandemic exacerbates existing macroeconomic weaknesses. The decline in growth in South Africa will constrain expansion in other members of the Southern African Customs Union, while the oil sector continues to act as a drag on Angolan growth.

**Outlook for 2021-22, baseline scenario.**

Uncertainty around the spread and duration of the COVID-19 pandemic persists and continues to impact household consumption and private investment. Against this

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8 Members of the Southern African Customs Union include Eswatini, Botswana, Lesotho, Namibia, and South Africa.
background, two scenarios have been prepared. The baseline scenario assumes that the first COVID-19 vaccine would successfully complete phase 3 trials by early 2021, with additional vaccines approved shortly after. In advanced economies and major EMDEs, approved vaccines would be rolled out starting in 2021Q1, gradually reaching their peak coverage in the second half of 2022. The rollout process in most other EMDEs and low-income countries, including in Sub-Saharan Africa, would be slower and lag that in advanced economies and major EMDEs by about two to three quarters, respectively. The advent of a vaccine underpins the continued recovery in consumer and business confidence amid buoyant financial markets. Accordingly, consumption, particularly of services such as tourism, would continue to strengthen and investment would recover as growth prospects improve and policy uncertainty declines. Commodity prices would gradually improve.

On this basis, regional GDP is projected to expand by 2.1 percent in 2021, below its level in 2019, before rising to 3.2 percent in 2022, fueled by a robust recovery of investment and domestic consumption. However, the projections mask considerable heterogeneity in prospects across countries. The strength of the recovery will vary significantly across economies and subregions. Among the region’s largest economies, Nigeria and South Africa are expected to experience particularly weak recoveries.

- In Nigeria, after expanding 1.9 percent year-on-year in 2020Q1, real GDP contracted by 6.1 percent year-on-year in 2020Q2, with growth in the oil and non-oil sectors falling. The near-term outlook is subject to considerable uncertainty as the economy continues to grapple with the effects of the pandemic. Activity data suggest that the rebound in activity that started in 2020Q3 may have stalled. Investment remains weak amid high uncertainty. Growth is projected to fall by 4.1 percent in 2020 and remain subdued at 0.3 percent in 2021.

- In South Africa, the strict national lockdown is expected to lead to a significant economic downturn in 2020. While the sharp contraction in 2020Q2 is likely to mark the low point of growth this year, output levels will remain constrained by strict health and safety rules to stem viral transmission, while renewed local lockdowns present a further potential headwind to economic expansion. Real GDP is expected to shrink by 7.2 percent in 2020, before recovering to 2.6 percent in 2021, supported by progress in tackling COVID-19 and domestic reform to spur investment.

- In Angola, the COVID-19 crisis has pushed the economy into a fifth year of recession, with GDP projected to contract by 4 percent in 2020. A partial recovery is expected in 2021, with GDP projected to grow by 3.2 percent. The recovery is predicated on a stronger oil sector, especially an end to OPEC+ production cuts, and resumption of investments to halt the structural decline in production.

Overall, the East and Southern Africa subregion is expected to see a slightly stronger pickup in activity, with growth projected to reach 2.7 percent in 2021 (figure 1.47) compared with 1.4 percent in West and Central Africa (figure 1.48). This partly reflects the rebound in Angola and South Africa, as containment measures are relaxed, and a gradual firming of activity among East African countries, including Kenya and Rwanda. In West and Central Africa, slower growth among oil exporters, notably Nigeria, will partially offset a more robust rebound among metals exporters.
and non-resource-intensive countries. Excluding Nigeria, growth in West and Central Africa is projected to rise to 3.0 percent in 2021, above that in East and Southern Africa. In both subregions, growth in fragile countries is expected to remain weak.

**Outlook for 2021-22, downside scenario.**

In the downside scenario, a vaccine would successfully pass phase 3 trials only toward the end of 2021 after a longer-than-expected trial period. In advanced economies and major EMDEs, the approved vaccine would be rolled out shortly thereafter—first to vulnerable groups and subsequently to the general population—reaching its peak coverage by the end of 2023. The rollout process in most other EMDEs and low-income countries would be slower and lag that in advanced economies and major EMDEs by about two and three quarters, respectively. These vaccine developments would appreciably disappoint financial markets, and a lasting seasonal upsurge in cases across many countries would halt the nascent recovery in consumer and business confidence. Private consumption would be depressed for several quarters and investment would soften as growth prospects are downgraded. Activity in sectors sensitive to public interactions would be hardest hit, with any recovery in domestic and foreign tourism held off until 2022. Central banks would stave off financial market stress with renewed liquidity injections, and further fiscal support would be implemented. Commodity prices would fall.

In the downside scenario, regional GDP is projected to expand by 1.2 percent in 2021 and 2.1 percent in 2022, remaining below the 2019 growth of 2.4 percent by the end of the forecasting period, as domestic consumption and investment remain weak across the region. Weaker growth in the region’s three largest economies—Nigeria, South Africa, and Angola—would
slow the recovery in the region. Growth in West and Central Africa will rise from -2.8 percent in 2020 to just 0.5 percent in 2021, compared with 1.4 percent in the baseline scenario, as the rebound among metals exporters and non-resource-intensive countries is offset by a contraction in Nigeria (figure 1.49). In East and Southern Africa, growth will rise from -3.9 percent in 2020 to 1.9 percent in 2021, compared with 2.7 percent in the baseline scenario, reflecting a weaker recovery in Angola and South Africa (figure 1.50).

The pandemic could reverse the economic and development gains the region has made over the past decade. Real per capita GDP is projected to contract sharply in 2020, falling by about 6.0 percent, the largest decrease over the past two decades (figure 1.51). With the tepid 2.1 percent growth projected for 2021, per capita GDP growth will rebound but remain negative. If this low growth materializes, at the end of 2021, the region’s real GDP per capita would be back to its level in 2008 (figure 1.52). This underscores the concern that the COVID-19 pandemic may wipe out the economic and development gains the region has achieved over the past 15 years.

Although the decline in GDP per capita is expected to be broad-based, it would be relatively more pronounced among oil and metals and minerals exporters. These include Nigeria, South Africa, and the Democratic Republic of Congo, where large numbers of the poor live. The World Bank has estimated that in 2020 COVID-19 will push 26 million people in Sub-Saharan Africa into extreme poverty, measured at the international poverty line of $1.90 a day, and up to 40 million...
in the downside scenario. Income inequality is also expected to increase. High-frequency phone surveys show that within countries across the region, the impacts of the COVID-19 pandemic have been highly unequal and exacerbated existing inequalities. Workers in occupations in which only a small share of tasks can be done from home have been more likely to experience reduced hours, job losses, and significant falls in earnings. As lockdowns have disproportionately affected informal sectors and small and medium-size companies in the service sector, less educated workers, those with temporary contracts, the self-employed, and women have been most severely impacted by the crisis.

Even before the effects of the pandemic were felt, a child born in a typical country in Sub-Saharan Africa could expect to achieve just 40 percent of her potential human capital, relative to a benchmark of complete education and full health. COVID-19 now threatens to set back the region’s human capital further, wiping out recent gains and leaving an entire generation behind. New data from the World Bank Group’s Human Capital Index (HCI) present a decade-long view of the evolution of human capital outcomes from 2010 through March 2020. The HCI serves as a baseline to track changes in human capital and inform policies to protect and invest in people throughout the COVID-19 pandemic and beyond. In Sub-Saharan Africa, the data show progress over the past decade, with almost every country with available data increasing their HCI.

The COVID-19 pandemic presents significant risks to these past gains. Countries in Africa are reporting significant disruptions in essential health services, with for instance vaccinations falling off and antenatal visits dropping. And around 99 percent of the learners in Africa (253 million

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9 World Bank (2020).
people) live in countries that have been affected by school closures, causing losses in learning as well as an increase in school dropouts and teenage pregnancies. In addition, loss of income and disruptions of food systems have led to a reduction in people’s food intake. Women and girls are particularly hard hit by many of these impacts, with an increase in gender-based violence also being reported in multiple African countries. Lastly, fiscal constraints in the current environment make it harder for governments to respond to the pandemic and protect investments in their people. Box 1.2 illustrates some of the evolving and potential impacts of the COVID-19 pandemic on selected Sub-Saharan African countries.

The pandemic crisis threatens to disrupt the process of human capital accumulation in Sub-Saharan Africa and set back hard-earned progress in health and education. This box highlights the potential impacts of the COVID-19 pandemic on selected countries in the region.

**East and Southern Africa**

- In Uganda, the anticipated drop in economic growth from an average of 5.4 percent over the previous four years to about 3 percent in FY2021 is expected to reduce government funding for the social sectors. Between April and June 2020, the coverage of antenatal care, in-facility deliveries, and some immunization services dropped by between 5 and 30 percent compared with the similar period in FY2019. Maternal deaths increased by 19 percent between 2019Q4 and 2020Q4. Similar trends have been seen in malaria, tuberculosis, and HIV care, as well as for chronic conditions. Early evidence of the impact of the COVID-19 lockdown on households in rural Uganda revealed a decline of 60 percent in household nonfarm income, resulting in an increase in the likelihood of missing a meal, a decline in reported satisfaction with the quality of life, and an increase in perceived frequency of intimate partner violence against women in the village (Mahmud and Riley 2020).

- In South Africa, a country where 80 percent of the students already experienced learning poverty, approximately 13 million students were affected and left without any form of adequate schooling between April 1 and June 30, 2020. And the already very high youth unemployment rate has been further aggravated by the decline in economic activity.

- An extended period of school closure due to COVID-19 in Rwanda (since March 2020) is causing a further deterioration of already poor learning outcomes. And the closure of colleges, including health training schools (for nurses, midwives, and laboratory technicians) and the faculty of medicines, will adversely affect the supply chain of the qualified health workforce to deliver quality health services.

- In Eswatini, significant declines (between 31 and 55 percent compared with previous years) in the numbers of pregnant mothers seen for their first antenatal care visits are being observed. Reports of high teenage pregnancies have also emerged in the country, with many reopened schools reporting cases.

- Preliminary analyses show reductions in the use of essential health services in Somalia. And because of the pandemic, already-limited government capacity and resources are being diverted from other critical health efforts.
BOX 1.2
Continued

West and Central Africa

• In Mauritania, where schools closed for several months, the learning-adjusted years of schooling (already very low) would go down from 3.4 to 2.8 in the worst-case scenario. More than 2,000 children ages 4 to 11 may drop out of school, as well as more than 4,000 children ages 12 to 17.

• Compared with the pre-lockdown period, only 43 percent of the population in Nigeria was working in April/May and only 71 percent in June. Additionally, the number of Nigerians experiencing food insecurity has risen by 40 percentage points relative to the pre-pandemic period.

• Major disruptions in health services could leave 331,500 children in Senegal without treatment for pneumonia and 542,800 children without a diphtheria, pertussis, and tetanus (DPT) vaccine.

RISKS

*Risks to the regional outlook remain skewed to the downside.*

The risks mainly stem from the uncertainty about the evolution of the COVID-19 pandemic and the speed of the global recovery. Other risks relate to the evolving security and environmental challenges, social and political tensions, and food insecurity.

**Intensified domestic transmission of the pandemic.** How deep the COVID-19 virus will spread and what the health and economic toll will be remain uncertain. Containment measures are being eased across the region, including in countries where case numbers have yet to peak. The easing of containment measures could lead to a faster and more significant spread of the virus in countries in the region, with devastating effects on health systems and populations.

**Prolonged COVID-19 pandemic.** Longer containment and uncertainties about the intensity and duration of the pandemic could adversely affect supply, including through global value chain disruptions, and domestic and external demand. Deteriorating economic conditions and a decline in risk appetite could result in a second wave of financial tightening and debt service and refinancing difficulties. Debt sustainability problems could worsen. Growth could be severely affected through reduced FDI inflows and external support. Demand for export products and their prices would fall, hurting economic activity.

**Social discontent and political instability.** Social tensions could erupt due to dissatisfaction with the policy response to the pandemic and the economic fallout, including massive unemployment, higher incidence of poverty, and shortages of essential goods. The resulting political instability could complicate adjustment following the COVID-19 pandemic. Intensified geopolitical tensions and security risks could cause socioeconomic and political disruption, disorderly migration, and lower confidence.

**Worsening food security situation.** Prior to the COVID-19 pandemic, Sub-Saharan Africa was the most food insecure region. With resources being reallocated to tackle the health and economic fallout from the virus, the food security situation could worsen in the region. Lockdown-related measures to mitigate the spread of the virus caused severe disruptions to supply chains, and border closures affected transportation links, worsening food availability. If the pandemic continues unabated into 2021, deepening the recession in some economies, food insecurity could lead to a worsening in socioeconomic conditions in countries in the region, which could potentially lead to protests and political instability.

*Taxonomy of Growth: How Resilient Is Growth across Sub-Saharan African Countries?*

The taxonomy of growth resilience, introduced in volume 14 of *Africa’s Pulse*, describes different groups of growth performers in the region according to the speed and persistence of the rate of growth of their GDP (World Bank 2016). This analysis provides a broad picture of recent economic performance in Sub-Saharan Africa. External headwinds—driven by lower external demand, disruption of global value chains, and declining flows of foreign financing—and the
containment measures to combat the spread of the COVID-19 pandemic have taken a toll on Sub-Saharan African countries during 2017–20. This section updates the taxonomy of growth resilience in Sub-Saharan Africa (figure 1.53).

Compared with the taxonomy reported in volume 20 of *Africa’s Pulse* (World Bank 2019), 15 countries have been downgraded. Three countries were downgraded from established to stuck in the middle (Burkina Faso, Uganda, and Tanzania), two countries went from improved to stuck in the middle (Kenya and Senegal), and 10 countries were downgraded from stuck in the middle to slipping (Cabo Verde, Cameroon, Madagascar, Mali, Mauritius, and Mozambique) and to falling behind (the Central African Republic, the Democratic Republic of Congo, the Republic of Congo, and Guinea-Bissau).
The top tercile of growth performers in the region, which includes the improved and established countries, comprises only five countries (Côte d’Ivoire, Ethiopia, Ghana, Guinea, and Rwanda) as opposed to 10 countries in October 2019. This group houses 18 percent of Sub-Saharan Africa’s population (193 million people in 2019) and produces 14 percent of the region’s total GDP. The middle tercile of growth performers now includes nine countries (Benin, Burkina Faso, The Gambia, Kenya, Niger, Senegal, Tanzania, Togo, and Uganda). This group accounts for about 22 percent of the region’s population (237 million people in 2019) and 15 percent of the region’s GDP. The number of countries in the bottom tercile of growth performers has increased to 30, up from 21 in October 2019. This group of countries includes Angola, Botswana, Burundi, Cabo Verde, Cameroon, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, the Republic of Congo, Equatorial Guinea, Gabon, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, São Tomé and Príncipe, Sierra Leone, South Africa, Sudan, Eswatini, Zambia, and Zimbabwe. It accounts for 60 percent of the region’s population (646 million people in 2019) and produces 70 percent of the region’s total GDP.

POLICIES

The battery of measures implemented to contain the pandemic are ongoing—although at different degrees across countries—and their economic effects have been damaging but are still evolving throughout the continent. In this environment, policy makers need to advance policies that help chart a sustained and inclusive recovery and improve resilience to shocks. These policies include (1) implementing measures to create fiscal space, and (2) designing policies to chart the course for rapid growth and job creation on the road to recovery. So far, the spread of the pandemic across Sub-Saharan Africa has not been as alarming as initially feared. However, the pandemic is driving Sub-Saharan Africa into its first recession over the past 25 years. The contraction of economic activity in the region in 2020 is estimated at 3.3 percent, within the interval of growth forecasted in volume 21 of *Africa’s Pulse*. It is highly likely that the virus will still be present on the continent until the end of 2021. The lingering effects of the pandemic will continue on economic activity.

Creating Fiscal Space to Pave the Way to Recovery

The COVID-19 pandemic is putting substantial pressure on Sub-Saharan African economies, especially those with widened fiscal deficits and debt distress. The massive fiscal cost to respond to the pandemic further jeopardizes the sustainability of public finances and may lead to cases of sovereign debt default. In April, the World Bank’s Development Committee and the G20 finance ministers endorsed the Debt Service Suspension Initiative (DSSI) to grant debt service suspension to the poorest countries and help them manage the impact of the pandemic. Of the 73 eligible countries, 28 countries in the region have signaled their participation in the DSSI. This must have expanded the fiscal space of some countries—although to different degrees. Still,
charting the course to a rapid recovery will also require massive investments across countries in the region. Amid weak balance sheets, governments may need to reconstitute fiscal space in the post-COVID-19 era to help finance programs that can stimulate a rapid recovery. The public sector needs to implement a series of measures from the revenue, expenditure, and public debt sides to guarantee a more sustainable fiscal position in the economy.

**Revenues**

Broadening the tax base can build up fiscal space by raising government revenues. The insertion of digital tools into public administration may help expand the set of taxpayers, reduce costs, and improve tax performance. Governments can better identify taxpayers by issuing digital IDs. They can also establish online platforms for e-filing and e-payments of taxes and import duties. Digital technologies help strengthen tax administration by lowering transaction costs and allowing innovation in tax policy. Digital tax administration may reduce tax evasion and fraud. In parallel, capacity building is required in the form of training staff on taxation, the use of digital platforms, and integrated data analytics. Cybersecurity and data protection also need to be addressed. For instance, the Democratic Republic of Congo will roll out a computerized system for collecting and tracing the flow of revenue payments for tax and customs administration. Togo is also making efforts to digitize tax payments by making it mandatory for large and medium-size firms to make online payments.

Managing commodity-resource revenues through sovereign wealth funds (SWFs) can potentially constitute a prudent way to administer assets among commodity-abundant countries. SWFs could provide a cushion against adverse shocks or finance investment for development. SWFs also protect resource-abundant countries by ensuring that the current government and/or the current generation cannot deplete the country’s capital. The main goal of SWFs is to achieve effective and efficient governance of the funding, withdrawal, and spending of these resources to meet a series of objectives—say, pensions, intertemporal equity, and development, among others. Therefore, spending plans from the SWF should be part of a coherent, medium-term expenditure framework. For example, spending from the SWF can be deployed to meet unexpected and large adverse shocks—for example, in the event of a natural disaster. The credibility and effectiveness of the SWF is enhanced by the greater accountability of the fund’s managers. This is achieved by submitting frequent reports to the government on the incoming revenues and deployed resources (if there is a spending or investment mandate). In this manner, increasing the transparency of revenues and resource-based revenue management is essential. For instance, the Nigerian National Petroleum Company (NNPC) has started publishing online the reports submitted to the Federation Account Allocation Committee (FAAC) within a month of the reconciliation of the figures by the FAAC. The NNPC will also start publishing its independently audited annual financial statements on an annual basis.
**Expenditures**

Fiscal authorities need to spend their resources efficiently by cutting nonessential outlays and reprioritizing spending while maximizing the impact of such expenditure on economic activity—thus creating fiscal space. Curbing unnecessary spending includes terminating ghost workers and avoiding permanent increases in public salaries. Amid low commodity prices, commodity-abundant countries may seize the opportunity to eliminate subsidies—especially on fuel. Yet, in light of the severe impacts of the crisis on human capital and the importance of investing in people for a sustainable recovery, governments need to safeguard social sector spending. Fostering greater transparency and accountability can also improve expenditure efficiency. During the pandemic, some governments have introduced budget amendments for emergency spending, and some have adopted procedures to publish all pandemic-related procurements. The resources deployed for the COVID-19 response have come along with a series of mechanisms to guarantee transparency and accountability. For instance, governments have established management committees (Mali) and governance mechanisms for solidarity funds (Mauritania). Resources, expenditures, procurement plans, and contract awards are being published online (Mali and Nigeria). Financial, compliance, and performance audits of the use of COVID-19 funds will be audited (Nigeria). More broadly speaking, reprioritizing expenditure could pave the road to recovery by also protecting productive spending—in health, education, and infrastructure, among others.

Improving the performance of state-owned enterprises (SOEs) also involves cutting unnecessary costs in public expenditures. Amid widened deficits and high debt vulnerabilities, it is imperative for SOEs to use public resources efficiently. In this context, several actions can be undertaken to improve SOE performance (Gaspar et al. 2020): (1) periodic reviews of SOEs to assess the amount and quality of the goods/services supplied, (2) provision of the right incentives to boost managers’ performance and the capacity of government agencies to improve SOE oversight, and (3) a level playing field for SOEs and private firms to foster greater productivity and avoid protectionism (that is, by limiting special treatment for SOEs).

A faster recovery in the aftermath of the COVID-19 pandemic also requires boosting the efficiency of public investment. Maximizing the returns from investment requires ensuring a pipeline of projects that are well-defined technically and contribute to growth and social cohesion (Tandberg and Allen 2020). Accordingly, strengthening the governance mechanisms to select and manage investment projects should be part of the economic recovery strategy. It is essential to appraise (existing and new) projects adequately. A credible medium-term fiscal policy and framework should anchor public investment programs—including the budgetary impact of the different projects (for example, lifetime costs and maintenance and operation costs, among others). Procurement mechanisms should ensure timely and effective realization of the selected investment projects with better transparency and accountability. For instance, a one-off 1 percent of GDP increase in public investment would lead to greater output by 0.3 percent for countries with low efficiency and 0.6 percent for countries with high efficiency (IMF 2015).
Amid the pandemic, it is critical to strengthen contingent liability management. COVID-19 is engendering a series of fiscal risks; therefore, enhancing the quality of information on fiscal risks will help support prudent fiscal policies and be conducive for better risk mitigation. Managing public sector liabilities involves addressing not only current obligations, but also contingent liabilities. Therefore, fiscal risk management needs to assess the exposure arising from contingent liabilities—specifically, by evaluating the costs of guarantees and obligations created through quasi-fiscal operations (Balibek et al. 2020). This assessment involves the probability of the associated fiscal risks materializing and their degree of recovery. These probabilities are challenging to estimate due to the heightened uncertainty of the evolution and economic effects of the pandemic. Public sectors must monitor their budgets to meet the costs resulting from default on guarantees and the occurrence of other contingent liabilities.

**Public Debt**

Sustainability post-COVID-19 will depend on the ability of Sub-Saharan African countries to alleviate their mounting debt burdens and create increased fiscal space. According to volume 21 of *Africa’s Pulse*, effective economic policies, which include macroeconomic and debt management, will increase a country’s capacity to repay its debts. Enhancing debt management requires better debt transparency and improved efficiency in the use of borrowed resources to expand the fiscal space. Creating fiscal space will help the economy cushion the effects of the pandemic crisis and avoid a deeper recession—including in countries with less diversified economic structures (section 2). The Jobs and Economic Transformation agenda (as captured by spatial integration, sectoral reallocation, and technological upgrading; see section 3) provides a policy framework for Sub-Saharan Africa to implement structural reforms, diversify trade, boost investments in non-resource-based sectors, accelerate digitalization, and increase productivity in agriculture. The resulting productivity-driven growth and job creation will rebuild the economy’s fiscal buffers. These types of policies generate a steady flow of revenues to enlarge a country’s capacity to repay its debt obligations and hence support to build up the fiscal space.

Managing a country’s borrowing patterns will reduce the risk profile of debt and may help alleviate the adverse growth effect of the pandemic shock. Therefore, the impacts of shocks will soften toward the domestic economy. Accumulating external debt by official creditors is less risky than debt by private creditors (see section 2). The recent shift in the composition of debt from public creditors to private creditors has brought about a series of risks (currency risks, interest rate risks, shorter interval maturity risks, uncertain collateral risks, national security risks, and refinancing risks). The emergence of new creditors has increased the opacity in African debt (non–Paris Club governments). Therefore, the issue of greater debt transparency has become more complex. The lack of disclosure in debt data may lead to mispricing sovereign bonds and associated default risks (Horn, Reinhart, and Trebesch 2019). This leads to greater risks associated with massive hidden debt operations and greater (than expected) interest payments, which impose heavier government burdens (World Bank 2020a).
Investing in data transparency brings substantial benefits to a country. Enhancing transparency and institutional quality would improve debt management practices by providing reliable information and imposing constraints on policy making (Fischer 2003). For instance, Kubota and Zeufack (2020) investigate the potential benefits of improving data transparency. They find that better data transparency reduces the country’s cost of external borrowing and hence diminishes debt service. The reduction of sovereign spreads is much larger when data transparency and debt management (measured by reductions in external debt burden) are jointly improved. Essentially, this effect only kicks in if institutional quality is above a certain level, suggesting that data transparency alone may not be enough. Debt transparency\(^{10}\) involves expanding the country’s capacity in public debt reporting, public debt management, and fiscal risk management.

Debt transparency is crucial to design adequate borrowing strategies and appropriately plan investment decisions. The debt reporting heatmap\(^{11}\) shows that the coverage of debt instruments is complete for external and domestic debt (including guarantees by the central government if applicable) for 23 countries in the region (green area). Debt data can be readily accessed through centralized sources (for example, a single report or website) for 21 countries in Sub-Saharan Africa (green area). For instance, some African governments have started publishing debt bulletin reports on a regular basis (with frequencies varying across countries), including information on SOE obligations (Ghana and Mali), different types of debt instruments (the Comoros and Mauritania), the financial terms of each new loan, creditor names and loan amounts (Madagascar), and information on collateralized loans (Guinea). Togo is publishing online annual fiscal risk statements with an evaluation of the medium-term debt strategy.

Poor performance in debt transparency across countries in the region comes from the lack of annual borrowing plans (24 countries) and contingent liabilities (22 countries). This is the result of weak legal frameworks, lack of audits, poor data administration and internal control, and low staffing capacity. Consequently, these countries do not have suitable strategies for a debt management plan or do not monitor potential risks on debt borrowings. The heatmap reports on 20 countries in the region that do not report their debt management strategy (red area) and 19 countries that report an annual borrowing plan with targets for domestic and external debt (table 1.1). Therefore, almost half of the countries in Sub-Saharan Africa publish their debt management strategy on a regular basis, while the rest of the countries in the sample lack transparency in their strategy. Improving debt transparency in the annual borrowing plan and reporting of contingent liabilities would strengthen a country’s debt management and strategies to borrow at better financial terms and conditions and monitor potential risks to avoid any possible crisis and heavy debt burdens.

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\(^{10}\) Debt transparency includes the production and punctual publication of debt indicators, debt bulletin reports, financial terms of each new loan, creditor names and loan amounts, and information on collateralized loans.

\(^{11}\) Table 1.1 presents the set of indicators that help shape the public debt reports heatmap matrix for Sub-Saharan African countries. This matrix covers three main areas: public debt statistics dissemination practices, publication of key debt management documents, and identification of fiscal risks stemming from contingent liabilities. Therefore, the matrix indicates debt transparency by assessing public debt dissemination practices.
<table>
<thead>
<tr>
<th>Country</th>
<th>Public Debt Reporting</th>
<th>Public Debt Management</th>
<th>Fiscal Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Data accessibility</td>
<td>Instrument coverage</td>
<td>Sectoral coverage</td>
</tr>
<tr>
<td>Benin</td>
<td></td>
<td></td>
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<tr>
<td>Burkina Faso</td>
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<td>Burundi</td>
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<tr>
<td>Cabo Verde</td>
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<td>Cameroon</td>
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<td>Chad</td>
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<tr>
<td>Comoros</td>
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<tr>
<td>Congo, Rep.</td>
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<tr>
<td>Côte d’Ivoire</td>
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<td>Eritrea</td>
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<td>Gambia, The</td>
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<td>Mali</td>
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<td>Mozambique</td>
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<td>São Tomé and Príncipe</td>
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<td>Senegal</td>
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<td>Sierra Leone</td>
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<td>Somalia</td>
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<td>South Sudan</td>
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<tr>
<td>Tanzania</td>
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<td>Zambia</td>
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<tr>
<td>Zimbabwe</td>
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</tr>
</tbody>
</table>

Debt Relief and Fiscal Space

The DSSI was introduced as an option to create fiscal space for the poorer countries in the world. Broadly speaking, debt relief or suspension initiatives potentially aim at releasing additional resources and injecting more liquidity; hence, they aim to enlarge the fiscal space of African governments. Participation in the DSSI has trade-offs, as eligible nations fear a downgrade of their sovereign debt ratings.

Some countries have benefitted from the DSSI as it has provided a cushion against the pandemic crisis. In April, the World Bank’s Development Committee and the G20 Finance Ministers endorsed the DSSI to grant debt service suspension to the poorest countries and assist them in managing the adverse economic impact of the COVID-19 pandemic. The DSSI was devised as another element in the policy makers’ toolkit to redirect resources to fight the pandemic. For instance, the DSSI allows the eligible countries to suspend principal or interest payments on official bilateral debt from May 1 through the end of 2020. Of the 73 eligible countries at the time the DSSI program was announced, 38 are in Sub-Saharan Africa. Only 28 countries in the region have signaled that they will participate in the DSSI. The total potential relief for these 28 countries would amount to US$5.2 billion—with about half of this amount being the potential DSSI savings for Angola, the Sub-Saharan African country that benefited the most from this initiative (table 1.2).

The risks associated with DSSI participation may prevent countries from seeking additional relief. These risks are (1) applying for the DSSI may lead to downgrades in the country’s sovereign credit ratings; (2) the amount of released resources is very limited for the eligible countries; and (3) it is not easy to coordinate among private creditors, in the event of their participation, due to their profit-seeking nature. For example, as of September 2020, 43 of the 73 eligible countries have signaled their participation in the DSSI. Eligible countries have not fully embraced the DSSI due to the prospects of credit rating downgrade and preference for keeping their access to global financial markets by repaying their obligations. They fear that any suspension of interest payments may trigger sovereign ratings downgrades and restrict future access to private creditors. Countries with outstanding Eurobond stocks are also reluctant to join the DSSI, due to the stringent terms of their Eurobond payment plans (Nye 2020).

The DSSI would postpone only a minority of the debt service payments of all eligible Sub-Saharan African countries. In the current DSSI reference period, official bilateral loans represent 44 percent of total payments (Bery et al. 2020). With the fast growth of Eurobond markets in developing countries—and, particularly, Sub-Saharan African countries—the G20 has called on private creditors to participate in the debt suspension initiative on comparable terms. International bonds and bank loans represent 56 and 32 percent of the private sector public and publicly guaranteed debt owed by DSSI-eligible countries in the region, respectively. Debt servicing owed to private creditors due between May and December 2020 amounts to 28 percent of total servicing. It is then critical to include bondholders in this initiative. It has been argued that the suspension of government debt obligations to private sector creditors needs to be justified as necessary: a mandatory and immediate mechanism of private sector participation might be needed through a blanket restructuring of terms (Bolton et al. 2020).

### TABLE 1.2: How DSSI Benefits Sub-Saharan African Countries

Estimates as of September 22, 2020

<table>
<thead>
<tr>
<th>Country d/</th>
<th>DSSI Participation</th>
<th>Risk of Debt Distress</th>
<th>DSA Date Publication</th>
<th>Potential DSSI Savings a/ (US$, millions)</th>
<th>% 2019 GDP</th>
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<td>Moderate</td>
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<tr>
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<td>Moderate</td>
<td>12.6</td>
<td>0.1</td>
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<tr>
<td>São Tomé and Príncipe</td>
<td>Yes</td>
<td>In distress</td>
<td>In distress</td>
<td>2.1</td>
<td>0.5</td>
</tr>
</tbody>
</table>
Making the Case for Greater International Support

Sub-Saharan African governments have put forward swift and significant measures to protect lives, livelihoods, and the future in response to the COVID-19 pandemic. However, the fiscal support deployed by governments in the region is smaller than that of advanced countries and other developing regions. The unprecedented fiscal support resulted in an increase of fiscal deficits in 2020 by 9.7 percentage points of GDP in the United States, 6.8 percent in the euro area, and 6.2 percent in the United Kingdom. Those amounts are considerably larger than the 3.5 percentage points of GDP increase in fiscal deficits in Sub-Saharan Africa in 2020—and, particularly, countries with the largest populations of poor people in the region, such as Nigeria (1.3 percent), Ethiopia (1.0 percent), and the Democratic Republic of Congo (0.8 percent) (figure 1.54). Therefore, the COVID-19 pandemic is erasing some of the hard-earned developmental gains in Sub-Saharan Africa over the past two decades. The Africa region still needs ample financing of investments in physical capital, human capital, energy, and infrastructure to pave the way for a sustained and resilient recovery. Support from the international community to promote financing, capacity development, and debt relief is vital. Debt relief initiatives in Sub-Saharan Africa should assist countries in enduring the impact of the pandemic today and building the foundations and capabilities for the ensuing economic recovery.

Note: DSA = Debt Sustainability Analysis; DSSI = Debt Service Suspension Initiative; GDP = gross domestic product; IDA = International Development Association; IDS = Integrated Data Service; WEO = World Economic Outlook.

a. Estimated debt service payments owed. IDS data based on monthly projections for May-December 2020, based on end-2018 public and publicly guaranteed debt outstanding and disbursed. Data for South Sudan are not available. GDP data based on October 2019 WEO.
b. Reflects published DSA ratings as of end-June 2020.
c. Not covered under the joint Bank-Fund Debt Sustainability Framework for Low-Income Countries.
d. IDA countries as of FY2020 and Angola.
Sub-Saharan Africa has the opportunity to put in place a policy agenda to foster an inclusive, green, and smooth recovery. However, the lack of external financial assistance could limit the prospects of such a recovery. Debt relief, increased grants, and concessional financing are needed. Helping Africa recover from the pandemic is in the interest of the world. Half of the world’s poor live in Sub-Saharan Africa, a region that also houses the largest number of fragile countries. The pandemic is deepening the structural problems in the region, and fragile, conflict, and violence situations could spill across borders and become regional and global security threats. Beyond security, investing in Sub-Saharan Africa is indispensable. The region constitutes a large market for global trade and investments: the African Continental Free Trade Area (AfCFTA), once fully implemented, will become the largest free trade area in the world in terms of membership. The AfCFTA will cover a market of 1.3 billion people and US$3.4 trillion in economic activity. By 2050, Sub-Saharan Africa will account for one-third of the global labor force. This implies that the young population in the region will drive labor demand and serve as an engine of global growth in the future.
CHARTING THE COURSE FOR SUSTAINED RECOVERY IN AFRICA

Sub-Saharan Africa appears to have avoided the worst of the COVID-19 pandemic so far. Infections and the death toll have not been as extensive as previously anticipated. As of end-September, the region had one confirmed case for every thousand people and about 25,000 deaths. These low numbers can be partly explained by governments that have acted rapidly, followed science, and incorporated innovative solutions. Drawing from the lessons of previous epidemics, African countries implemented effective communication strategies as well as a series of stringent containment measures—including airport screenings, curfews, and banning mass gatherings, among others. Still, the health crisis is not over and governments need to continue their public health campaigns and the strengthening of public health systems.

The COVID-19 crisis is not being wasted among countries in the region. They are seizing the opportunity created by this crisis to accelerate the structural reform agenda. South Africa recently announced sweeping reforms to address energy shortages and reduce its dependence on the state public utility, Eskom. Private companies have been invited to submit bids to supply additional renewable energy to the grid, while municipalities can directly procure electricity from private sector renewable energy producers, thus ending the Eskom single-buyer model. Businesses (mining and other industries and commercial enterprises) are allowed to produce electricity for their own use. In Nigeria, the government has taken important steps to reform its subsidy regime. It has eliminated the gasoline subsidy and established a market-based pricing mechanism with no price ceilings. The gasoline price is set monthly by the Petroleum Products Regulatory Agency (PPRA) from market-based costs. When international petroleum product prices start to recover, the PPRA will allow price increases accordingly. The Ethiopian government continues making progress with the deregulation of telecommunications. In May 2020, it called for expressions of interest for new telecommunications licenses. As the government and private sector moved to remote working arrangements due to COVID-19, the government also fast-tracked the approval of the e-Transactions proclamation, which establishes a National Digital Economy Council and provides the legal basis for use of electronic messages and documents in interactions with the government and businesses.

As the COVID-19 pandemic affected lives and livelihoods in the region, governments implemented unprecedented emergency relief measures to alleviate the impact on their (most vulnerable) population. By mid-September, 46 countries in Sub-Saharan Africa had put in place 166 social protection measures—with social assistance (for example, cash-based and in-kind transfers, utility waivers, and public works) representing 84 percent of these measures. Social protection programs have proven to be a critical tool to mitigate the social impact of the pandemic. At the same time, the crisis has been a driver of innovation in service delivery by promoting government-to-person payments. For instance, digital technologies have expanded the coverage of social safety nets and protected beneficiaries amid social distancing requirements. Digital campaigns have played a role in raising awareness and mobilizing

13 For more details on successful health interventions in the region, see box 1.1.
14 World Bank (2020).
15 World Bank (2020i).
16 World Bank (2020e).
17 In East and Southern Africa, 77 percent of all social protection measures (92) correspond to social assistance. That proportion increases to 92 percent of all social protection measures (74) in West and Central Africa. For a detailed description of the social protection measures implemented by Sub-Saharan African governments, see Gentilini et al. (2020).
18 See Bodewig et al. (2020).
people (Namibia, South Africa, and Togo), although digital screening of the very large number of applicants can have its limitations. Countries have used different approaches to deliver scaled-up payments to beneficiaries, including mobile money accounts (Togo’s Novissi program) and e-wallets (Namibia), among others. Digital payments can be spurred by lowering transaction charges (Rwanda and Kenya); however, these fee reductions/waivers may be unsustainable on a commercial basis over a longer period. Finally, countries in the region need to continue scaling up social protection programs to protect the lives and livelihoods of the most vulnerable groups amid the pandemic and help them thrive in the post-pandemic period.

The importance of the digital economy has been underscored during this pandemic. Digital infrastructure, technologies, and services have enabled governments, businesses, and society to continue functioning amid lockdowns and social distancing. Digital technologies have been found to improve household welfare, boost firms’ productivity, and create better jobs for more people. Despite these potential benefits, access to high-speed internet is low among people and firms in Sub-Saharan Africa. Reforms to address the digital infrastructure gaps, affordability (of devices and services), and digital literacy are critical to expand access to digital technologies and reduce the digital divide across gender, firm size, and urban-rural areas. The regulatory environment needs to provide the right incentives for fast digital technology adoption and more competition among mobile operators—including actions to attain universal affordable access to high-quality communications services, support of critical functions (say, hospital emergency services and e-government), public warning systems, and high network resilience (cybersecurity). Digital skills, which rest on foundational human capital, are often linked to better opportunities and yet they are not fully exploited. Ensuring inclusiveness in the provision of digital skills, at different levels, will be crucial to prevent the exclusion of already marginalized segments of the population from the benefits of connectivity—including women, rural areas, and micro, small, and medium-size enterprises. Finally, adequate analog complements are critical to reap the benefits of the digital economy. Reforms to improve the reliability of the electricity supply are crucial.

The COVID-19 pandemic has heightened the focus on agricultural productivity and food security in Sub-Saharan Africa. Digital technologies can help boost agricultural productivity. By providing farmers access to information on available technologies (for example, improved seeds, fertilizers, and tractors) and how to use them efficiency, digital technologies can facilitate their adoption. Containment measures to fight the pandemic put food security at risk in the region. Segmented markets and disrupted food supply chains led to severe supply and demand mismatches in traditional markets. Digital technologies help improve farmers’ access to upstream and downstream markets by facilitating price discovery, improving buyer-seller matches, and digitally enabling collective action to increase farmers’ inclusion and bargaining power in agri-food value chains. Quality control and traceability throughout the food supply chain can also be enhanced by digital technologies (for example, the Namibian Livestock Identification and Traceability System). Strengthening urban and rural linkages will help accelerate the country’s process of economic transformation. Boosting agricultural productivity, building resilient supply chains (of

19 For more details on digital solutions in social assistance transfers during COVID-19, see Gelb and Mukherjee (2020).
20 Section 3 discusses in more detail the drivers and consequences of adopting digital technologies, as well as the policy implications for the countries in the region.
21 Ample references on the impact of digital technologies on agricultural productivity can be found in volume 19 of Africa’s Pulse (World Bank 2019).
22 World Bank (2020a) illustrates the impact of digital technologies on farmers’ output and productivity.
food and agricultural inputs), and urban-rural planning to improve local food distribution are vital. Scaling up infrastructure investments—particularly, improving access to basic infrastructure services—is also critical.

The COVID-19 pandemic led to an unprecedented disruption in global trade, as worldwide consumption and production scaled down. The World Trade Organization estimates that the volume of global merchandise trade shrank by 18.5 percent year-on-year in 2020Q2 at the height of the lockdown measures implemented across the globe. Countries in the region with higher exposure to global trade (that is, commodity exporters and those inserted in global value chains) are suffering the biggest blows from the pandemic. Yet, intraregional trade is already playing a role in mitigating the economic effects of the pandemic in Sub-Saharan Africa. Intra-African trade had been gradually rising prior to the COVID-19 pandemic, and most of the intra-African trade flows typically take place within regional economic communities (RECs), thanks to lower tariffs among member countries. As global trade recovers, intraregional trade can play a role in driving greater export flows. This is the case of Kenya and the East African Community (EAC). Kenyan exports to the rest of the EAC recovered very rapidly. Exports to Uganda and Rwanda have already surpassed their pre-COVID-19 highs, and re-exports to Tanzania sharply accelerated by July. Full implementation of the AfCFTA can play a role in expanding even more intraregional trade. Addressing tariffs, non-tariff barriers, and trade facilitation problems across countries in the region may help foster inter-REC trade. The AfCFTA can also help promote regional value chains and organize production across countries in the region. As global trade recovers, building the foundations and capabilities for a more comprehensive continental involvement in global value chains and linking them to human capital investments are critical.

23 See Coulibaly, Kassa, and Zeufack (2020).
24 See Mold and Mveyange (2020).