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« Une approche pluridisciplinaire des enjeux économiques et sociaux qui traversent l'Afrique. »

Le Monde diplomatique

REPÈRES ÉCONOMIE

La Découverte

Introduction

Rémy Rioux, Chief Executive Officer of AFD

This fourth edition of *L'Économie Africaine*, developed by Éditions La Découverte and Agence Française de Développement (AFD), is being published at the age of consequences, an age experiencing a combination of protracted crises whose effects are immediate, an age with both climate change and large-scale health, economic and geopolitical shocks affecting the entire planet. As with the previous editions, this publication has been developed on the basis of an "All Africa" approach, which AFD Group has been promoting for several years in order to fully understand the diversity of the challenges facing Africa, at the continental and sub-regional level.

On the heels of the Covid-19 pandemic, Russia's invasion of Ukraine has brought with it a threefold food, energy and economic crisis. Africa has not been spared, although it has shown more resilience than the world average, with a growth rate projected at 3.7% in 2023. In

Translated by Samantha O'Connell

particular, food insecurity affected over 20% of Africa's population in 2022. These shocks, which result in risks of recession, come on top of the climate crisis, at a time when global greenhouse gas emissions have reached record levels with drastic consequences in Africa. Yet this area of the world has the lowest emissions and developing countries only receive between 20 and 25% of the amounts they require for mitigation and adaptation measures.

In this context of multifaceted crisis, it is necessary to mobilize all actors to provide meaningful and long-term countercyclical responses, aligned with the Sustainable Development Goals. International financial architecture must change rapidly to adapt to these challenges. There have been some initial moves with the creation of the Resilience and Sustainability Trust (RST) managed by the International Monetary Fund (IMF), which channels a portion of the allocation of Special Drawing Rights (SDR - $650 billion) towards the most vulnerable countries, and the Financial Intermediary Fund (FIF) for pandemic prevention, preparedness, and response (PPR), geared to low- and middle-income countries. This was also the spirit of the third "Finance in Common Summit" (FiCS 2022) which gathered in Africa the 522 Public Development Banks, on 19 and 20 October 2022 in Abidjan, just a few weeks ahead of COP27, to discuss how to finance the just transition. The 100 African Public Development Banks merit attention and confidence.

Today, to address these challenges, there is also a need for active and prompt national policies, consistent with the long-term issues. This publication helps us identify them by giving a voice to experts from the continent, who experience these challenges directly on the ground with the local actors and territories. In addition to an analysis of the macroeconomic policies for crisis management, the various chapters identify the priorities for action in terms of climate change adaptation, agricultural policies in support of food sovereignty, and equitable access to health systems. This edition also highlights the importance of mobilizing tax revenues to finance development in Africa, at a time of tightening financing conditions, while the financing needs for sustainable development are rapidly growing, jeopardizing the sustainability of sovereign debt. Finally, the role of national financial systems and the contribution of digital technology to African FinTech are explored.

As shown by Françoise Rivière and Matthieu Morando in Chapter I, the Covid-19 crisis then the war in Ukraine have highlighted how diversified economies are more resilient than economies that are dependent on natural resources. The structural imbalances in Africa have widened further and the convergence of African economies, which started two decades ago in terms of human development indicators, is likely to slow for some time to come. With a fiscal environment that is now constrained, firm and innovative support from development finance actors is essential for the continuation of public policies targeting low-carbon trajectories.

In Chapter II, Marie-Noëlle Woillez describes the climate trends and their consequences on ecosystems and societies in Africa. We are already seeing higher temperatures and perturbations in the hydrological cycle, with increasing aridification on the Mediterranean coast and more intense rainfall in Southern Africa. These developments disrupt ecosystems and human activities, for example, they have adverse impacts on agricultural production and access to water in certain regions. The impacts of climate change often come on top of considerable and unsustainable pressure on natural resources at local level. Reducing it will be an essential driver for adaptation to climate change.

In Chapter III, Benoît Faivre-Dupaigre and Bio Goura Soulé examine the determinants of food insecurity and show that the main cause of the chronic hunger facing 278 million Africans is, as in the rest of the world, poverty. This also accounts for the recent increase in food insecurity during the economic slowdown caused by the Covid-19 pandemic and the rise in food prices. The demographic prospects for Africa, along with the consequences of climate change on its agriculture, could result in priority being given once again to the issue of supply and feeding Africans with their own agricultural products to ensure their food security. The contemporary issues of health in the Sahel are examined in Chapter IV by Valéry Ridde, Oumar Samb, Amandine Fillol, Kadidiatou Kadio and Emmanuel Bonnet. The health status of African people has considerably improved in recent decades. However, this overall improvement masks deep inequalities between men and women, regions and social classes. In addition, health systems remain focused on hospitals and treating diseases rather than prevention. Equity in access to healthcare and community-based approaches must be the focal point of public policies for access to healthcare.

In this context of multiple crises, the financing of African economies is a crucial matter and the mobilization of domestic resources a strategic issue. In Chapter V, Suzanne Bonmartel, Sébastien Markley, Arthur Minsat and Dossina Yeo provide an overview of the main characteristics of policies to mobilize tax revenues in the various African countries. To make sense of this diversity, African countries can be differentiated depending, *inter alia*, on their level of informality and their tax revenues. The policies to mobilize government revenues are specific to each local context. They mainly consist of tax administration reforms, specific or sectoral targeting, and enhanced international tax cooperation.

Finally, the role of digital technology in Africa, driven by the mobile phone sector, is analyzed by Alain Kiyindou in Chapter VI. While digital technology is associated with all the economic and social sectors in most African countries, it has especially been taken up by the financial sector with the development of an African FinTech, which is seen as a real vehicle of financial inclusion.

The publication ends with a forward-looking timeline and statistics prepared by Cécile Duquesnay, listing the main African events that lie ahead in 2023. Again following our “All Africa” approach, they also present the main economic and social data on Africa.

To conclude, I would like to express my deep gratitude to all these African and European authors who, by advancing knowledge, also contribute to the pressing need to change the way we view our African neighbors and friends.

I / The main macroeconomic trends in Africa and its regions

Françoise Rivière and Matthieu Morando (AFD)

Since the shock related to the Covid-19 pandemic, which caused an unprecedented recession, Africa has renewed with growth, proving to be quite resilient. The real GDP growth rate[1] exceeded its pre-crisis level (+3.2% on average for 2015-2019) and reached 4.3% in 2021. This rate was virtually the same in 2022 (+4% according to the latest estimates), despite the major shock affecting the global economy following Russia's invasion of Ukraine and its inflationary impact.

Africa's post-Covid-19 recovery may have appeared less marked than in other parts of the world, because the consequences of the health crisis on its economy have been less overwhelming (-1.3% in 2020, against -2.9% worldwide). In real terms, it is in fact more dynamic than elsewhere (with the exception of emerging Asia). However, it only allows a gradual recovery of the losses recorded, due to population growth which remains comparatively more rapid. In this context, the convergence process underway before the pandemic, allowing Africa to gradually narrow the development gap separating it from

[1] The growth presented in real terms is inflation-adjusted. The figures cover Africa as a whole (Sub-Saharan Africa, North Africa and Indian Ocean), excluding Libya, whose highly volatile data are not usable.

the rest of the world, came to a sudden halt. This should gradually be reflected in all the components of the Human Development Index (HDI).

What characterizes Africa's recovery compared to the other major regions? What factors account for the differences in trajectory in Africa? Can the current dynamic of recovery suffice to offset the lasting consequences of the two successive major shocks experienced by Africa? What are the impacts of the ongoing conflict in Ukraine, and to what extent does this new dramatic shock increase the structural challenges facing Africa? This introductory chapter provides some answers to these questions and outlines the prospects for the coming years. While growth is likely to continue to be consolidated, further significant efforts will be required to rebuild sustainable and more inclusive growth, whereas the fiscal space of the economies concerned is increasingly constrained.

Resilience clearly visible, but hindered by population growth

Recovery more marked than anticipated

Africa managed to return to a growth rate similar to before the pandemic (see Graph 1) more rapidly than other regional economies, including certain developing economies. Following an unprecedented recession in 2020 (-1.3%), real growth for 2021 was finally estimated at +4.3%, a sharp upward adjustment compared with the initial estimates. Some of the growth in 2021 is mechanically the result of catching up after the recession in 2020 during the global pandemic (technical rebound). Apart from this rebound effect, African growth in 2021 was in fact very close to the pre-pandemic average (+3%, against an average annual growth rate of +3.2% for

2015-2019). According to IMF estimates, it gathered pace in 2022[2] and reached 4.0%.

While the rebound in activity is more marked than indicated in the initial estimates, it is mainly due to the sharp rise in commodity prices which has been favorable for Africa's extractive economies. Boosted by rising energy demand, especially from China, oil and base metal prices had already risen sharply in 2021. They rose further in 2022 in the context of Russia's invasion of Ukraine and its inflationary consequences. At the same time, the continent's most diversified economies benefited from a more favorable post-pandemic international environment through the increase in global demand. Other external factors have also had a positive impact. Firstly, the improvement in financial conditions in 2021, which contributed to the success of several Eurobond sale transactions in Africa, although these conditions have since tightened significantly. Secondly, the recovery in diaspora remittances, which are the main source of external financing in Africa. At the same time, foreign direct investment (FDI) reached a record level in 2021. According to the latest edition of the World Investment Report published every year by UNCTAD, flows of foreign direct investment to Africa reached $83 billion in 2021, against $39 billion in 2020 and $47 billion in 2019. This growth in FDI flows to Africa, especially to Sub-Saharan Africa, was much higher than the increase worldwide. However, the situation in 2022 suggests that this positive momentum has not been sustained. Finally, the dedicated support from donors has also fostered growth, through the G20's Debt Service Suspension Initiative (DSSI) and the IMF's allocation of additional

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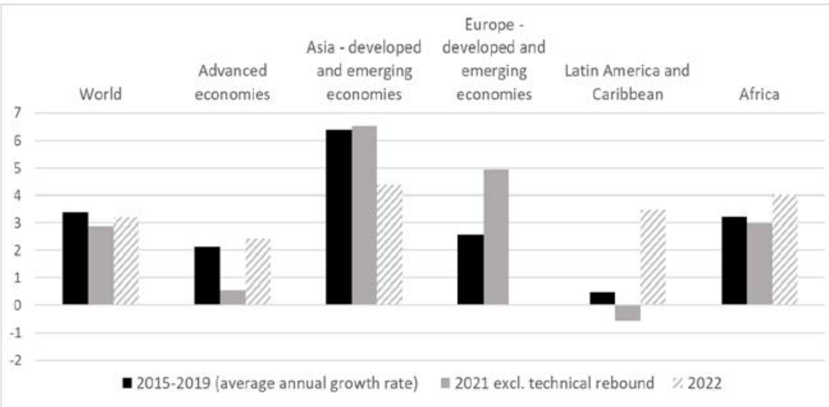
[2] The figures announced for 2022 and 2023 throughout this chapter are based on forecasts and may therefore be revised.

Special Drawing Rights, which should continue and further increase in 2023.

Graph 1. **Growth in the major regions**
Source: IMF, World Economic Outlook Database, October

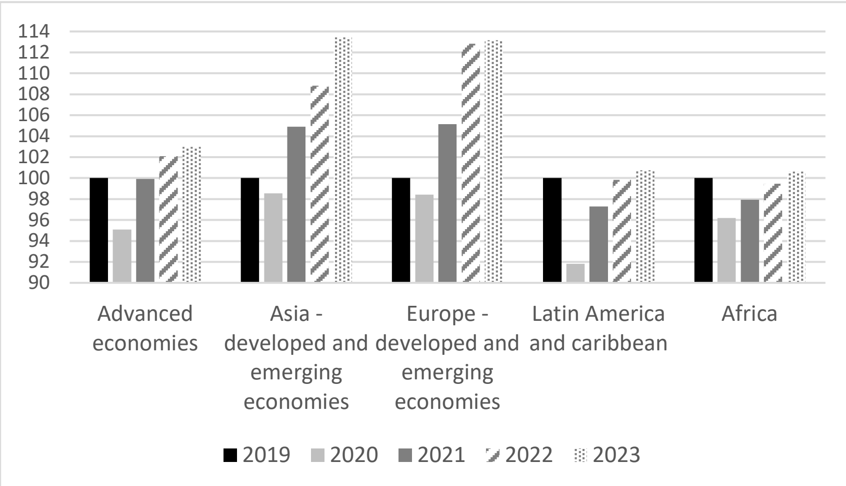


2022; AFD calculations.

A slower recovery for GDP per capita

The post-Covid-19 recovery in Africa therefore appears to be at least as strong as at the global level in real terms. However, due to population growth, which remains rapid in Africa (+2.5% of average annual growth between 2015 and 2020, against +1.1% worldwide), its recovery in terms of GDP per capita is much slower. For this reason, Africa as a whole will only recover its pre-pandemic level of GDP per capita in 2023 (Graph 2), while most of the other regions recovered their levels in 2021. This level is also likely to remain persistently lower than the trend projected prior to the outbreak of the pandemic.

Graph 2. **GDP per capita in major world regions**
(index base 100 in 2019)

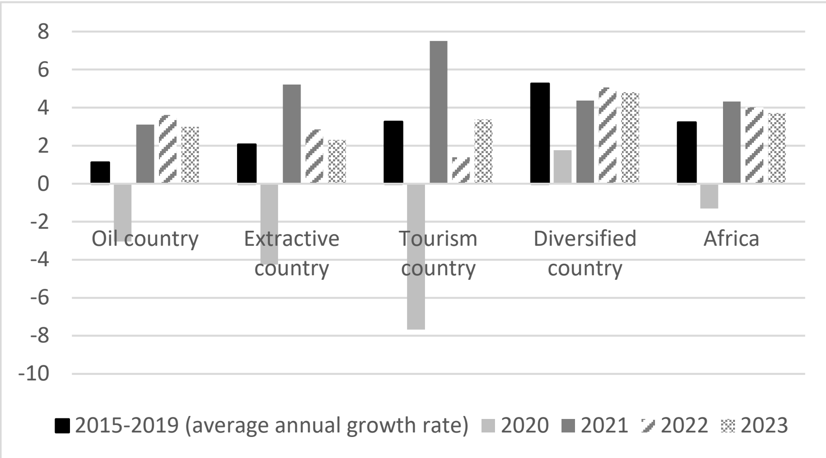


Source: IMF, World Economic Outlook Database, October 2022; AFD calculations.

A recovery of varying magnitude depending on the structure of economies

In this section, we differentiate between oil exporting economies, the other extractive economies and tourism economies (see note to Table 1). Countries that do not belong to any of these categories make up the group of diversified economies. It may be noted that the global growth forecasts for Africa conducted by the IMF have only changed slightly in the context of the conflict in Ukraine, in contrast to the forecasts for most of the other regional blocs. This does, however, conceal contrasting trends: upward revision for net exporters of extractive resources and downgrading for the countries most affected by this crisis.

Graph 3. **Changes in real GDP by country category**



Source: IMF, World Economic Outlook Database, October 2022; AFD calculations.

Within the continent, the recovery which started in 2021 has mainly been driven by the most diversified economies, as they are structurally more able to rebound in the event of external shocks. They have higher and more stable growth rates over the long term than more specialized economies, as they are less subject to fluctuations on the commodity markets and tourism flows. These economies also managed to maintain a degree of dynamism at the peak of the pandemic (+1.8% of real growth in 2020), in contrast to the recession everywhere else. In 2021, they returned to a fairly sustained pace of growth (+4.4%), which continued to increase in 2022. Estimated at +5.1%, the growth of diversified African economies in 2022 almost returned to its average pre-crisis level and is projected at +4.8% in 2023. Six of these diversified economies are thus among the most dynamic in Africa over the recent period: Senegal, Niger, Rwanda, Côte d'Ivoire, Benin and Togo.

Economies that export oil or other extractive resources have also generally managed to recover their pre-crisis level of activity. They saw sustained growth in the 2000s, until the downturn in commodity prices in late 2014. Between 2015 and 2019, countries exporting extractive resources experienced relatively sluggish growth which no longer even covered population growth. The average growth for African oil countries has benefited from the rise in commodity prices in the context of the global recovery. It stood at +3.1% in 2021 and accelerated slightly in 2022. The growth of mineral-exporting countries was more dynamic, at +5.2% on average in 2021, but slipped to +2.9% in 2022.

Finally, in Africa, as elsewhere, countries whose economic activity is highly dependent on tourism have been the most affected by the health crisis, in terms of both intensity (-7.7% in 2020) and duration: following the technical rebound in 2021, growth remained limited in 2022, at +1.4%, and is only expected to pick up in 2023, at +3.4% according to the IMF's current projections. Indeed, tourist arrivals in Africa are only expected to return to their 2019 levels from that date, provided that new restrictions on the opening of borders or air traffic are not decided following a further outbreak of the Covid-19 pandemic. Within the continent, the cards have been reshuffled to some extent, with the tourism potential of certain destinations, such as Rwanda, Nigeria and Ghana, beginning to emerge according to the latest brand ranking on tourism published by Bloom Consulting.[3] However, South Africa and the Maghreb countries continue to top the

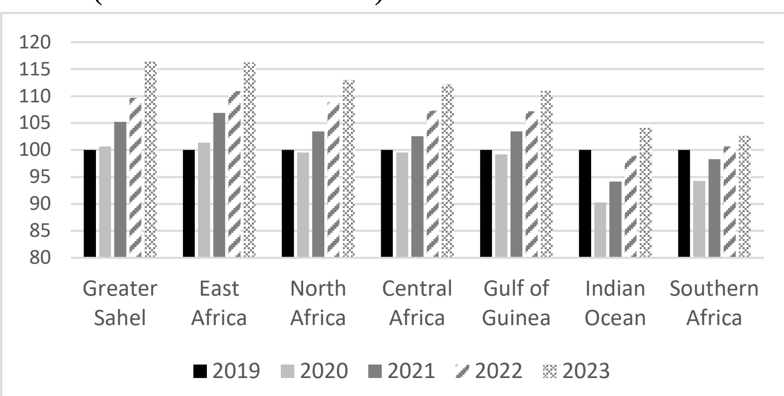
[3] The Bloom Consulting Country Brand Ranking extensively analyzes the brand performance of almost 200 countries and territories worldwide, based on four components: economic performance, digital demand, the country's brand strategy and its online performance.

ranking in terms of attractiveness as a tourist destination and receive about half the continent's tourism revenues.

A mixed picture for the regional economy

The growth paths of the various regions of Africa remain uneven, reflecting the economic structure of the countries in them. For example, East Africa and North Africa, whose economies are the most diversified on the continent, are among the top three most dynamic regions in Africa for 2020-2023. The Greater Sahel region, which is also diversified but includes mining countries, tops the ranking, as these countries primarily export gold, a safe haven whose prices have remained high during these periods of uncertainty. At the same time, Southern Africa, which is dominated by the economic weight of mining and oil countries, and the Indian Ocean, which is highly dependent on tourism resources, are seeing a more gradual recovery (Graph 4).

Graph 4. **Growth in the main African regions** (index base 100 in 2019)



Source: IMF, World Economic Outlook Database, October 2022; AFD calculations.

Impacts of the Russia-Ukraine conflict

Supply difficulties

The global economic shock in the aftermath of Russia's invasion of Ukraine has particularly affected Africa. Indeed, it has limited room for maneuver to counter its adverse effects. The continent is firstly directly impacted in terms of supply, as these two suppliers have a substantial market share for certain basic products. According to the United Nations Comtrade database, cereals and oils account for 40% of Africa's agricultural imports, and Russia and Ukraine have a total market share of over 30% for these products. Within the continent, some countries are more dependent than others for their supplies from Ukraine and Russia. This is especially the case in North Africa, with a heavy dependence on imports of cereals and oils (see Table 1). Russia and Ukraine are also key suppliers of non-agricultural goods, first and foremost oil, whose sharp price rises affect the cost of living and transport, even if certain net oil exporting countries at the same time benefit from a certain windfall effect. It is followed by fertilizers, which are essential to agricultural production, and iron and steel materials which Africa needs for its infrastructure.

Table 1. **Characterization of the 54 African countries**

Region	Country	Type of economy	Prevalence of food insecurity (%)
Gulf of Guinea	Benin	Diversified country	7.4
	Ghana	Mining country	4.1
	Guinea	Mining country	N/A
	Côte d'Ivoire	Diversified country	4.4
	Liberia	Mining country	38.3
	Nigeria	Oil country	12.7
	Sierra Leone	Mining country	27.4
	Togo	Diversified country	18.8
East Africa	Burundi	Diversified country	N/A
	Djibouti	Diversified country	13.5
	Eritrea	Diversified country	N/A
	Ethiopia	Diversified country	24.9
	Kenya	Diversified country	26.9
	Rwanda	Diversified country	35.8
	Somalia	Diversified country	N/A
	Sudan	Diversified country	12.8
	South Sudan	Oil country	N/A
	Tanzania	Diversified country	22.6
	Uganda	Diversified country	N/A

Greater Sahel	Burkina Faso	Diversified country	18
	Cape Verde	Tourism country	17.7
	Gambia	Tourism country	21.6
	Guinea-Bissau	Diversified country	31.7
	Mali	Diversified country	9.8
	Mauritania	Diversified country	10.1
	Niger	Diversified country	19.8
	Senegal	Diversified country	7.5
North Africa	Algeria	Oil country	<2.5
	Egypt	Diversified country	5.1
	Libya	Oil country	N/A
	Morocco	Tourism country	5.6
	Tunisia	Diversified country	3.1
Central Africa	Cameroon	Oil country	6.7
	Centr. African Republic	Mining country	52.2
	Chad	Oil country	32.7
	Republic of the Congo	Oil country	31.6
	Democr. Rep. of the Congo	Mining country	39.8
	Equatorial Guinea	Oil country	N/A
	Gabon	Oil country	17.2
	São Tomé and Príncipe	Tourism country	13.5

Southern Africa	Angola	Oil country	20.8
	Botswana	Mining country	21.9
	Eswatini	Diversified country	11
	Lesotho	Diversified country	34.7
	Malawi	Diversified country	17.8
	Mozambique	Diversified country	N/A
	Namibia	Mining country	18
	South Africa	Mining country	6.9
	Zambia	Mining country	30.9
	Zimbabwe	Mining country	N/A
Indian Ocean	Comoros	Tourism country	20.4
	Madagascar	Diversified country	48.5
	Mauritius	Tourism country	7.8
	Seychelles	Tourism country	N/A

Table key: Oil exporting countries are countries whose net oil exports account for at least 30% of total exports; the other resource-rich countries are those whose non-renewable natural resources account for at least 25% of total exports; the countries dependent on tourism are those whose tourism accounts for over 5% of GDP and 30% of exports. The other countries are considered more diversified.
The prevalence of undernutrition shows the proportion in the population of people who do not have sufficient safe and nutritious food, or whose ability to acquire such food in socially acceptable ways is limited or uncertain. The FAO data in the table are an average for 2019-2021.

Source: AFD classification, based on FAO and IMF data.

Decline in tourism and financial risk aversion, additional constraints

Another consequence is the conflict's impact on the tourism market: the post-Covid-19 recovery is in particular hindered in the Red Sea area where there were previously large numbers of Ukrainian tourists, and while charter flights from Russia to Egypt had resumed in 2021 after being suspended for six years. Finally, as with the previous crises that affected the continent (financial crisis of 2008, Arab Spring of 2011 and commodity crisis of 2014), investors' risk aversion is particularly acute *vis-à-vis* the most recent issuing markets, the new emerging countries ("New Frontier" countries). This aversion has resulted in significant fluctuations in the spreads of economies involved in international financial markets, which measure the difference between the interest rate actually charged by potential investors and a benchmark reference rate (generally US Treasury Bonds for series concerning the developing countries referred to here). Their surge when the hostilities broke out rapidly eased off. However, there was subsequently a more structural tightening of financing conditions on the markets, reflecting the shift by external investors towards more established markets, which were once again more profitable following a gradual increase in underlying interest rates.

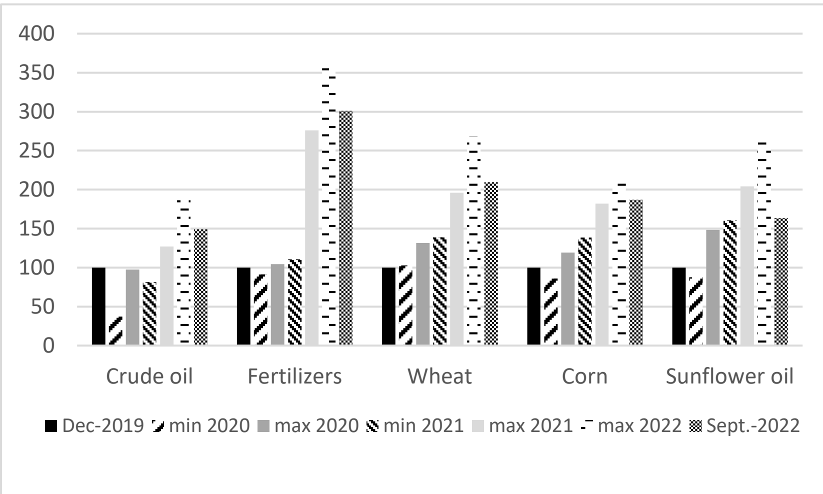
Inflationary situation in Africa

Even before the invasion of Ukraine, world food prices were reaching record highs and energy prices had risen sharply, as was the case for prices of agricultural inputs. The outbreak of the conflict was subsequently a major factor in the acceleration of the increase in prices of products for which Ukraine and Russia are major exporters.

Crude oil prices, which were at their lowest level in the spring of 2020, subsequently gradually rebounded as the lockdown measures were eased and world trade recovered. They saw a stronger increase when the conflict broke out, with a peak in June 2022, to almost double the level recorded at the end of 2019. Fertilizer prices, which are closely linked to gas prices, saw the highest increases: three times higher in July 2022 than before the pandemic. Wheat, corn and sunflower oil prices remained relatively stable when the Covid-19 crisis began, but subsequently increased rapidly, and rose even further when the conflict broke out in Ukraine. The peak level of wheat prices is 2.5 times higher than in December 2019. This also the case for oils and corn prices have more than doubled. Prices subsequently eased gradually, following the resumption of exports brought about by the negotiations between the various stakeholders in the summer of 2022.

This surge in primary commodity prices has led to a major increase in the price of imported goods in Africa. Even the prices of products not directly concerned by these price increases have risen, due to the surge in transport costs. These costs firstly reflect the increase in oil prices, but are also the corollary of a certain amount of disorganization in international maritime transport in the wake of the pandemic. In addition to this knock-on effect, there has often been speculative behavior or withholding on the part of importers and distributors, resulting in excessive inflation due to the export shutdown decided by certain producer countries which opt to preserve their domestic market. The depreciation of the exchange rates of a number of African currencies, caused by the gradual increase in the main key interest rates and greater risk aversion among investors, also contributes to the rising cost of imported goods.

Graph 5. **Price trends in certain primary commodities** (index base 100 in December 2019)



Source: IMF, data on primary commodity prices; AFD calculations.

In this context, a large number of African countries are experiencing a rapid increase in inflation. On the continent, at this stage, it is expected to have reached an annual average of over 10% in 2022,[4] *i.e.*, 1.7 points higher than the rate already seen in 2021. This estimate was substantially revised upwards in the IMF's successive publications in 2022, and may still be re-evaluated. Inflation is expected to remain high in 2023, at over 9%. Indeed, even if primary commodity prices would finally

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[4] Estimate excluding Sudan and Zimbabwe, which have been experiencing hyperinflation for several years.

appear to be gradually easing, there is systematically a time lag between changes in world prices and their reflection in national inflation, which can happen up to six months later.

The impact of this imported inflation is felt most by low-income countries, where food products account for a higher proportion of consumption. The authorities can try to limit its impact for the most vulnerable people, by generally subsidizing or targeting certain products, but not without a substantial budgetary effort (see Box 1). Inflation has thus remained relatively contained in North African countries, although it has risen sharply in Algeria, Egypt and Tunisia. It is, however, particularly high in certain countries in Southern African (Angola and Zambia) and East Africa (Ethiopia and South Sudan). On average, it is slightly lower in the Gulf of Guinea, although its rapid acceleration in Nigeria and Ghana is a matter of concern.

Box 1. What leeway to reduce consumer prices?

The governments concerned can take various different measures to reduce the cost of food and sometimes combine them:

1) Ease the inflationary effects, by suspending or limiting import duties on essential goods (rice, wheat flour, sugar, cooking oil, etc.), or by regulating prices, with or without the payment of subsidies;

2) Control market supply by building up strategic stocks, facilitating imports and establishing sales channels with low prices;

3) Measures to provide access for the most vulnerable people: distribution of food, specific financial support in rural areas, development of local stocks and nutrition programs.

In their programs, multilateral donors generally recommend ending universal subsidy systems for both energy and primary commodities to prevent the spread of uncontrolled inflation, which is a source of social tension and/or major food crises. However, it is difficult to replace them with targeted support systems in areas where the informal economy remains predominant. Furthermore, the budgetary cost of such measures is potentially unsustainable for most African countries, and they result in difficult monetary choices for central banks.

Rapid increase in Africa’s structural weaknesses

Limited capacity to absorb shocks

The pace of recovery in Africa since 2021 has not been strong enough to eliminate the far-reaching consequences of the successive crises in the past, such as the decline in per capita income in many countries and the increase in poverty and unemployment. The structural weaknesses that deeply affect the continent were already present, but have been exacerbated in recent times. In view of the substantial population growth which the region is still experiencing, the growth rate is insufficient to substantially improve access to basic services, finance the public infrastructure needed, and create sufficient jobs to absorb new labor market entrants. Above all, the capacity of governments to take action is burdened by a debt that has grown rapidly (see Box 2) and by much tighter financial conditions for countries that have access to external financing.

Fragility of States has worsened

According to the Fund for Peace's Fragile States Index,[5] 21 African countries are among the 29 in the red "Alert" category. At the other end of the scale, only three African countries (Mauritius, Seychelles and Botswana) are considered stable. Between 2019 and 2022, four countries slipped ten positions or more in the ranking (Ethiopia, Mozambique, Burkina Faso and Equatorial Guinea). For a number of fragile States in Africa, the indicators on security, inter-community conflicts and the legitimacy of governance bodies have worsened along with the economic indicators. The security situations of Mali, Guinea and Burkina Faso have especially worsened following the coups d'État.

Long-term decline in Human Development Indicators

UNDP suspended its update of the Human Development Index (HDI) during the Covid-19 crisis. The estimates for 2020 and 2021 were only published in the fall of 2022. This delay shows how difficult it is for statisticians and economists to take full account of the impacts of the pandemic. Worldwide, the value of the HDI has fallen for two consecutive years (unprecedented situation since this indicator was created in the early 1990s), wiping out the gains of the five previous years according to the authors of the Human Development Report. The order of magnitude is the same for Africa, which has also seen two consecutive declines, again with

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[5] The Fragile States Index (FSI) measures the fragility of States (178 countries covered) using 12 standardized indicators, calculated by combining quantitative data sets, qualitative studies and analyses of the content of articles and reports from print and online media worldwide.

a setback by about five years in comparison with the projections before the pandemic (authors' estimates). This sudden stop has interrupted the catch-up path previously underway and it is likely to last longer than in other regions.

Box 2. Debt situation of African economies

Africa's public debt, which was reduced to below 30% of GDP in the late 2000s following the Heavily Indebted Poor Countries initiative, has been constantly growing again ever since. In 2019, Africa's public debt again reached almost 60% of GDP, *i.e.*, an average annual increase of almost 7% for 2008-2019. There was, however, a slowdown in debt growth as of 2015. The debt ratio subsequently ratcheted up by almost 10 more points in 2020, with the decline in public revenues (-6% compared to the average for 2015-2019), coupled with the increase in emergency spending (+3%), causing a significant margin squeeze. It has since leveled off and is only expected to increase very gradually in the medium term.

In this context, none of the 36 African countries covered by a debt sustainability analysis[6] are now classified at low risk of debt distress. Fifteen countries are rated moderate risk, 14 high risk, and 7 are in debt distress (Congo, Mozambique, São Tomé and Príncipe, Somalia, Sudan, Chad and Zimbabwe).

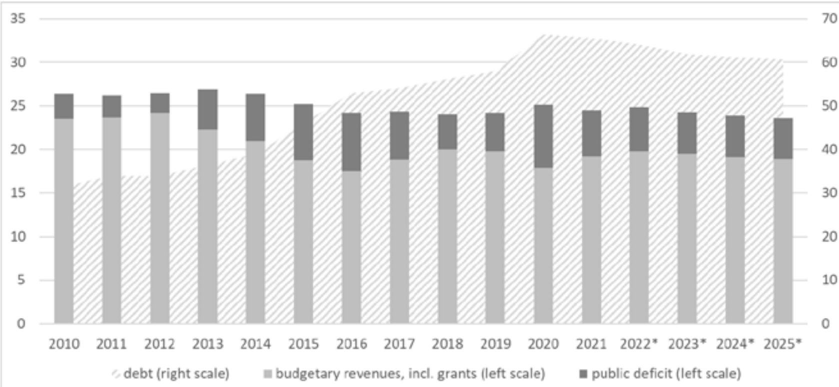
The debt trajectories are very different and very much depend on the structure of the economies concerned. At regional level, the highest debt rates concern North Africa (close to or above 90% for Egypt and Tunisia, and over

[6] Conducted by the IMF and World Bank, these analyses cover low-income developing countries eligible for the Poverty Reduction and Growth Trust (PRGT).

70% for Morocco and Algeria). On average, they are half this level in the Gulf of Guinea and Central Africa, reflecting the lower level of structural debt of extractive countries, which are numerous in these regions.

The steady increase in debt in the region is above all structural and the mobilization of domestic resources is a major issue. The emergency situation caused by the successive and protracted crises is an aggravating factor, as it imposes additional spending. It has also to some extent hindered the efforts made by many countries to reform their tax systems: broaden the tax base, improve collection, thoroughly review moratoriums concerning newly exploited extractive resources (see Chapter v). It is therefore now important to restart these necessary reforms, with donor support, to limit future deficits and cope with public expenditure which could and should increase. In the short term, the projections for public expenditure may be high, due to the cost of the measures introduced to support the households most affected by the increase in food commodity prices. Any subsidies for gasoline still in place also weigh heavily on government budgets. In the medium term (and possibly also in the long term), the rise in recent borrowing will weigh on repayment costs for governments. This rise is due to the increase in interest rates by central banks to counter inflation, and the resulting pressure on foreign exchange reserves which leads to currency depreciation, with an impact on foreign-currency denominated debt. This is especially because the "grace period" afforded by the Debt Service Suspension Initiative has ended. And, more structurally, the increase in public expenditure will serve to increase the public investments needed and provide better support for the ever-increasing number of vulnerable people.

Graph 6. **Projection of public expenditure coverage and debt ratio (as a % of GDP)**



* Projections as of 2022
Source: IMF, World Economic Outlook Database, October 2022; AFD calculations.

The "decent standard of living" component, measured by GDP per capita, is only very gradually returning to its pre-pandemic level, while most of the other major regions recovered their levels in 2021. The "health" component is assessed by life expectancy at birth, which lost 1.4 years worldwide between 2019 and 2021. While Africa has seemingly shown resilience to the virus, as its age pyramid continues to have a broad base which protects it to some extent from a disease that especially affects the elderly, the decline in life expectancy in Sub-Saharan Africa is also estimated at 1.4 years. This paradox can mainly be explained by the limited access to vaccines in most of the countries in the region, which exposes them to a sharp rise in mortality rates, especially among the older age groups. The loss in life expectancy in North Africa is also high, in the order of two years.

Finally, there has been no apparent discontinuity in the "education" component of the HDI, which includes an estimate of the number of expected years of schooling and the number of actual years of schooling, either at global level or in Africa. This is mainly due to the method to collect the indicators used, which will automatically take time to reflect the serious disruption caused by the pandemic, in particular as a result of the closure of schools. In this respect, Africa, along with Latin America, will be the biggest loser. This is due to the unprecedented learning loss following the prolonged closures for lack of satisfactory sanitary options and the difficulties in proposing alternatives for the children out of school, despite the efforts made. While we lack consolidated data to accurately assess the learning loss, it is greater for children from the poorest families. When schools reopened, their return to school was by no means certain, as in the meantime, many had entered the workforce, or family life for far too many girls forced into early marriage once they had left the school system. These children forced to drop out of school have suffered a substantial loss of their learning achievements, a burden they will carry for the rest of their lives. This will undoubtedly only very gradually be reflected in the HDI.

Alarming increase in food insecurity[7]

Even before the outbreak of the conflict in Ukraine, which further pushed up the prices of certain primary food commodities and raised fears of disruptions to supply chains, the Sub-Saharan Africa region already had the highest prevalence of undernourishment in the world, with 278 million people concerned in 2021, *i.e.*, almost a quarter of its population. In addition to this indicator,

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[7] For a detailed analysis of the causes of food insecurity in Africa, see Chapter III.

which defines the proportion of the population without access to safe, nutritious and sufficient food, two indicators broaden the notion of food insecurity, by specifying the conditions of access to food and the degree of restriction facing individuals. Consequently, again in 2021, some 800 million Africans were affected by food insecurity, including 322 million experiencing periods of starvation jeopardizing their health (severe food insecurity).

In 2022, at least 123 million people are expected to be in a situation of acute food insecurity, meaning they will suffer from severe malnutrition and will be unable to meet their minimum food requirements (their lives or livelihoods are then considered to be in imminent danger). At least 28 million of these people have been plunged into a situation of acute food insecurity over the last two years, due to the successive shocks which have pushed up food prices and lowered incomes, especially for the most vulnerable. To illustrate this alarming situation, in early June, Chad declared a food emergency due to the constant deterioration in the nutritional situation of a significant proportion of its population.

Experts anticipate an acceleration in the number of people exposed to food insecurity over the next decade. In addition to the increase in food prices and the budgetary constraints which limit the capacity for response of States, issues related to the availability of inputs and their prices, which are becoming prohibitive, cast a dark shadow over future harvests and animal feed, while agricultural production covers almost 90% of Africa’s food requirements. Consequently, the Sustainable Development Goal for food security by 2030 (SDG n° 2) is now most likely impossible to achieve.

The climate challenge

Climate change is one of the challenges facing Africa (see Chapter II). Studies show that it already affects population displacement and has negative effects on growth and income inequality in African countries. In addition, with over two billion inhabitants on the continent by 2040, including half a billion new urban dwellers, and a developing industry, energy demand in Africa is increasing twice as fast as the global average. To achieve the low-carbon trajectory scenario developed by the International Energy Agency in line with the African Union's Agenda 2063, African governments need to establish strong public policies to improve energy efficiency and ensure a wider use of clean technologies, without forgetting the growing needs in terms of adaptation. With the constrained budgetary situation of African economies, and faced with urgent spending needs, the energy and ecological transition is likely to be given less priority. To prevent this, the mobilization of international financing, especially from donors, remains crucial.

Conclusion

The recovery that began in 2021 will continue in 2022 and 2023, but its scale, which remains uncertain, will not be enough to overcome the consequences of two successive major shocks. In particular, the growth prospects for Africa remain subject to many uncertainties, which include developments in the international situation, the sustainability of public measures to support the economy, the mobilization of international financing, and progress in the vaccination campaign (as the threat of the emergence of new variants has still not disappeared).

These uncertainties also add to the recurring risks facing the continent, such as climate, security and political risks.

Faced with situations of worsening debt ratios, African governments have increasingly limited leeway for maintaining or introducing economic support measures, but a sudden withdrawal of these measures would have a destabilizing effect for most countries. The continent therefore continues to have substantial financing needs. In 2021, the IMF put the figure at over $400 billion for 2021-2025, a figure probably largely underestimated, as inflation continues and "emergency" spending, for example to limit the effects of food insecurity, has since increased. The rising costs related to climate change adaptation will be added to these estimates (up to $50 billion a year are necessary).

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L’économie africaine 2023

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