

Communique of
African Ministers of Finance, Planning and Economic
Development on Covid-19 and the Economic Situation in Africa



A.21-00446

We, African Ministers of Finance, Planning and Economic Development, note with deep concern the impact of the coronavirus pandemic on the health of our citizens, our economies, as well as on our prospects of achieving the 2030 Agenda for Sustainable Development and Agenda 2063.

We are disappointed by slowness in accessing vaccines and funding for vaccine equity. Without rapid access to vaccines, the tidal wave of new coronavirus infections will overwhelm our fragile health systems, decimate limited human resources and set back our recovery. By 18 March 2021, the continent had crossed the grim milestone of 4.1 million coronavirus infections, with a case fatality ratio in excess of the global average.

The impact of the pandemic on our economies has been devastating. For the first time in a quarter century, our economies are in-recession. Real GDP growth contracted by 2.4 percent in 2020. Thirty million people slipped into poverty. Our revenues plummeted while expenditures-soared in response to the pressing needs of the crisis and the exigencies of climate change.

Our fiscal buffers are now truly depleted.

These developments have undermined the economic outlook of several African countries, triggering credit rating downgrades in at least twelve African countries. Six African countries, including Sao Tome and Principe, the only African country set to graduate from LDC status, are now in debt distress.

For those African countries that have been successful in regaining access to capital markets, the yield spreads on their sovereign bonds are excessive. These premium rates will increase debt burdens and threaten the future debt sustainability of our nascent economies.

Notwithstanding our difficult fiscal positions, African countries exhibited resilience in their initial response to the pandemic. We achieved low infection rates by effective enforcement of social distancing and lockdown measures. We mobilized approximately \$44 billion in domestic resources and, in a highly competitive and contested market, we coordinated our efforts to secure personal protective equipment (PPE) through pooled procurement facilitated by the African Medical Supplies Platform. We also launched some manufacturing of medical supplies and equipment on the continent.

Under the leadership of the Chair of the African Union, and in collaboration with Afreximbank, our governments secured access to 270 million doses of coronavirus vaccines at competitive prices through the African Vaccine Acquisition Task Team (AVATT). These doses are over and above those promised through the COVID-19 Vaccine Global Access (COVAX) facility. However, AVATT and COVAX amounts combined allow us to reach only 42 per cent of Africa's population. An additional \$3-4 billion is needed to increase the coronavirus vaccination rate in Africa to 60 percent of the population and achieve herd immunity. We urge the World Bank and IMF to support vaccines for Africa through the COVAX facility and AVATT.

We commend the United Nations for its support to member States through its financing for development initiatives, which have generated a rich menu of policy options to inform the development financing pathways of member States.

We are encouraged that our efforts have been complemented by the financial assistance and support of public development banks, the G20 Debt Service Suspension Initiative (DSSI) and the G20 Common Framework for Debt Treatments beyond the DSSI. The DSSI has postponed an estimated \$5.1 billion in debt service payments by eligible African countries, providing much needed liquidity to save lives and rebuild livelihoods. The African Development Bank and the World Bank have committed \$13 billion and \$50 billion, respectively, to support Africa. Similarly, the IMF has committed \$25.6 billion to Africa through the Rapid Credit Facility, the Rapid Financing Instrument and the Extended Credit Facility. An additional \$408 million has been approved through the Catastrophe Containment and Relief Trust (CCRT), bringing total IMF commitments to approximately \$26.1 billion. We also commend the European Union for committing €100 million in humanitarian assistance to support the rollout of vaccination campaigns in Africa, spearheaded by the Africa Centres for Disease Control.

However, with no end to the pandemic in sight, Africa will need \$100 billion in development financing per year for the next 3 years per the IMF's own estimates. In addition, extending the duration of the DSSI at least to the end of 2021, and possibly to the end of 2022 (by which time it is hoped that all people will have been vaccinated) and expanding its scope to address the liquidity needs of middle-income countries is vital to pre-empt the larger threat of insolvency, particularly for countries with market access and relatively strong fundamentals.

We are also mindful of the increased importance of private creditors in Africa's financing landscape, now accounting for 40 percent of the continent's total debt, compared to a bilateral debt exposure of 27.6 percent. Addressing Africa's debt and future financing needs will be incomplete without taking into account Africa's exposure to private creditors. But more importantly, the private sector must be a key partner in Africa's recovery. In this context, blending public and private resources will be vital.

A swift, bold and positive response on special drawing rights (SDRs) in the range of 500 billion to 650 billion is now needed to arrest the devastating impact of this externally induced crisis on the continent. We acknowledge the leadership of the United States of America and the letter of US Treasury Secretary Yellen in support of a new issuance of SDRs. We thank the G7 Finance Ministers for requesting the IMF to take further action in this regard and urge all partners to support the G7's position on SDRs.

We note that, based on Africa's current IMF quota share, a new issuance would provide a maximum of XDR 33.3 billion in additional resources to Africa if 650 billion of new SDRs were issued. This would barely be adequate to meet the continent's financing needs. To supplement these resources, we further request the G7 to support an on-lending mechanism that channels, on a mutually agreed basis, unused and newly issued SDRs to low-income and middle-income countries. The IMF's Poverty Reduction and Growth Trust (PRGT) should be considered for this purpose. Funding the PRGT with SDRs will facilitate additional financing for urgent country priorities in light of this crisis. Creating a separate facility for the acquisition

of vaccines will be vital in closing the vaccine access gap between developed and developing countries.

We are conscious of the fact that new issuances of SDRs are infrequent and often contested events. To this end, we believe that, it is imperative that we seize the moment by leveraging these resources to power catalytic investments in Africa's recovery. The SDRs must be transformative for Africa and help the continent to access the trillions of dollars needed for a green recovery. This is within reach. Market-based instruments, such as the liquidity and sustainability facility (LSF) proposed by African Finance Ministers, funded at the level of \$30–\$50 billion, combined with instruments like the policy-based guarantee of the World Bank Group, can play an important role in this respect by catalysing investments, creating jobs and supporting African countries in building forward better.

African countries are now allocating significant proportions of their budgets to implement policies that respond to the impact of extreme weather events, including droughts, floods, crop failures, and infrastructure destruction. In some cases, up to 10 per cent of GDP has already been diverted towards climate-change adaptation.

We are convinced that investments in sustainable and technology-enhanced agriculture, renewable energy and transport, digitalization, biodiversity, and human capital development are essential for recovering and building forward better. We recognize recent research (e.g., by the Economic Commission for Africa and the African Union) that shows the co-benefits of a job-rich green and resilient recovery. Investments in these sectors will create jobs and leverage the African Continental Free Trade Area to build and enhance sustainable regional value chains.

On our part, Africa is committed to implementing comprehensive reforms needed to promote transparency and accountability both in the mobilization and use of domestic and external resources and in the management of debt. On revenue mobilization, African countries have demonstrated the benefits of deploying technology to increase revenues. Many countries on the continent have introduced e-taxation to increase resource mobilization. However, given that Africa's revenue-to-GDP ratio is 15 per cent, compared to 35.5 per cent for the European Union, Africa will need to deepen these reforms to achieve similar results.

Countries are also deploying digital platforms to engage local communities in the oversight of public spending and transparency, including through information-gathering on public service delivery and the tracking of expenditure commitments. We call upon the World Bank to make digitalization of the continent a development imperative and to spare no effort to ensure that no country is left behind in this regard.

We are also strengthening our tax administration systems to identify, track and stem illicit financial flows (IFFs), which account for \$50 billion in lost revenue per year.

Global support is needed, however, to continue the battle against IFFs, particularly in the area of big data analytics, machine learning and neural network programming, which provide an array of tools and methods to better predict illicit behaviour and measure IFFs more accurately. More African countries are improving the enabling environment for business. The comprehensive reforms being undertaken by African countries must be complemented by the availability of more resources for all countries.

We are convinced that, with adequate and rapid financing and appropriate comprehensive macro-fiscal and structural policy reforms, we can recover from the pandemic much faster and much stronger. We therefore urge all partners: to heed the G7’s call for a new issuance of SDRs, complemented by a re-allocation mechanism that addresses the disproportionate impact of the crisis on low-income and middle-income countries; to move to implement the G20 Common Framework; to extend the DSSI to the end of 2021; to support on-lending of SDRs to the PRGT, to the LSF facility proposed by African Finance Ministers, and to a vaccine acquisition facility; and to recapitalize multilateral and regional development banks.

This is a crisis of the collective, which requires a collective and coordinated response.

