AFRICA’S ECONOMIC PERFORMANCE AND OUTLOOK

KEY MESSAGES

- Africa’s GDP grew by an estimated 6.9 percent in 2021—a strong recovery from the pandemic-induced contraction of 1.6 percent in 2020. The rebound was attributed to recovery in oil prices and global demand, combined with the resurgence in household consumption and investment in most countries after restrictions were eased.

- Growth was highest in North Africa (11.7 percent) and East Africa (4.8 percent). In North Africa, growth was buoyed by the easing of political tensions in Libya and the attendant lifting of oil exports blockade in late 2020, which, coupled with a positive oil price shock, was reflected in unexpected large base effect expansion in the country’s GDP (177.3 percent). Southern Africa’s estimated growth of 4.2 percent represented the largest recovery, from a contraction of 6.0 percent, underpinned by strong recovery in Botswana (12.5 percent), Zimbabwe (6.3 percent), and South Africa (4.9 percent).

- Macroeconomic fundamentals have generally improved, but considerable challenges remain in the medium term, due largely to the persistence of the pandemic effect and volatility induced by the impact of the Russia–Ukraine conflict. Africa’s fiscal deficit is projected to narrow to 4.0 percent of GDP in 2022, from 5.1 percent in 2021, reflecting scaling-down of COVID-19-related interventions and strengthening of domestic revenues. The current account deficit is projected to be 2.0 percent of GDP in 2022, down from 2.4 percent in 2021, underpinned by the expected narrowing of the trade deficit and current transfers. Exchange rate fluctuations fell in most countries in 2021, supported by higher foreign exchange inflows. The path on exchange rate dynamics in 2022 and beyond depends on developments in international financial markets, especially on the back of the Russia–Ukraine conflict. Average inflation is projected to accelerate to 13.5 percent in 2022, from 13.0 percent in 2021, as Russia’s invasion of Ukraine stokes a sharp rise in commodity prices, especially for energy and food.

- Africa’s low vaccination rates are constraining faster economic recovery and increasing the health impact of COVID-19. The low vaccination rate in Africa—15.3 percent of the population were fully vaccinated by end-March 2022—is attributed to a combination of supply- and demand-side impediments. Improving vaccination rates is key to reducing infections and mortality and quickening the pace of economic recovery.

- A policy mix to speed up vaccine access and rollout, address debt vulnerabilities (through reconfigured and enhanced global mechanisms) and climate change effects, and support vulnerable households and firms remains critical to boosting the post-COVID-19 economic recovery. This mix includes helping domestic pharmaceutical industries produce vaccines locally and addressing bottlenecks to vaccine delivery; accelerating governance reforms and improving public financial management while enhancing the efficiency of debt-financed public investment; and coordinating fiscal and monetary policy actions, combined with securing innovative ways to mobilize domestic resources to enhance fiscal space for investment in poverty-reducing sectors.
MACROECONOMIC PERFORMANCE AND PROSPECTS

Growth performance and outlook

Africa’s real GDP grew by an estimated 6.9 percent in 2021, a strong recovery from the contraction of 1.6 percent in 2020. However, this strong recovery faces two major global crises, namely the persistence of the COVID-19 pandemic and the Russia–Ukraine conflict, that bring additional uncertainties and threaten to set back Africa’s promising medium-term growth outlook. Growth is thus projected to decelerate to 4.1 percent in 2022 (figure 1.1), reflecting these uncertainties and ebbing of base effects, especially in countries that emerged strongly from sharp pandemic-induced contractions. The growth outlook is also affected by the persistence of COVID-19, low vaccination rates, and spillover effects on the global economy from the Russia–Ukraine conflict and related sanctions on Russia. The 2021 growth outturn is up 3.5 percentage points from the 3.4 percent projected in AEO 2021, reflecting broad-based recovery. The recovery was supported by revived global demand, higher oil prices benefiting oil-exporting economies, easing of COVID-19 restrictions in most countries, and associated growth in domestic consumption and investment. Oil prices have been revised upward to reflect supply disruptions and rising uncertainty in the global oil market.

Africa’s estimated real GDP growth in 2021 surpassed the world average and that of other regions. According to the International Monetary Fund’s (IMF) World Economic Outlook (April 2022), the global economy grew by 6.1 percent in 2021, led by Asia (see figure 1.1). The strong recovery in Africa was due to near full re-opening of economies following easing of COVID-19 infections and deaths. The expansion was also underpinned by strong unexpected recovery in Libya as improvements in political conditions led to a rebound in oil production and exports. Improvement in economic activity was reflected in higher Purchasing Managers’ Index (PMI) values in four of Africa’s top six economies (figure 1.2). In 2021, the PMI value in Egypt, Kenya, Nigeria, and South Africa (which together accounted for 52 percent of Africa’s GDP in 2021) was mostly above the 50 benchmark and closer to prepandemic levels. The upturn on the PMI was supported by the easing of restrictions as economies continue to adapt to the pandemic and by policy measures to spur economic resurgence. Improved global financial conditions buoyed by the discovery of COVID-19 vaccines since the third quarter of 2020 have also supported Africa’s

FIGURE 1.1 Real GDP growth, 2019–23

Source: African Development Bank statistics and World Economic Outlook, April 2022.

FIGURE 1.2 Purchasing Managers’ Index values for four of the big six economies in Africa, 2017–March 2022

Source: Haver Analytics and IHS Markit.
recovery. Russia’s invasion of Ukraine has stoked rising uncertainty and amplified volatility in financial and capital markets, the latter of which are also responding to expectations of monetary policy normalization in the United States and the Euro area. Thus, following the outbreak of the Russia–Ukraine conflict in February 2022, the PMI value for four of Africa’s six largest economies fell in March 2022. The impact of the conflict is also reflected in weakening global financial markets (figures 1.2 and 1.3). Box 1.1 discusses the impact of the Russia–Ukraine conflict on Africa.

Africa’s recovery has also been supported by improved global trade and rising commodity prices. The 10 percent rebound in global trade in 2021 aided external demand of Africa’s primary commodities, especially from its major trading partners (China, the Euro area, and the United States). The rise in global trade lifted commodity prices from 2020 levels, especially prices of energy and metals (figure 1.4). Consequently, growth in net commodity exporters is estimated at 8.1 percent in 2021, reversing the losses of 2020, when real output fell by 1.0 percent. The sustained recovery has also reversed losses in real per capita GDP in 2020: per capita income grew by 4.4 percent in 2021 after contracting by 4.1 percent in 2020 (figure 1.5). At this pace of growth, the continent will exceed pre-pandemic per capita income in 2022 and 2023.

Favorable domestic policies—critical to improving livelihoods—also supported the recovery. For instance, fiscal stimulus packages and cuts in policy rates by central banks to spur credit growth helped mitigate the pandemic’s impact. Central banks also deployed unconventional policy interventions, such as direct liquidity injections into the banking system, extensions of moratoriums on loan payments by severely affected firms and households, and buybacks of government securities. However, the recent increase in consumer prices—driven mainly by food and other commodities—may limit room for further monetary policy easing.

Demand-side and sectoral decomposition of growth

The main drivers of growth in 2021 were private consumption and investment on the demand side and services and industry on the supply side. After collapsing during the pandemic, the pulse of domestic demand—private consumption and investment—rebounced strongly in 2021. Stronger domestic demand reflected an overall surge in economic activity, with services and industry leading growth on the supply side. The estimated

**FIGURE 1.3 Global capital market indicators, January 2020–March 2022**

Index (March 2020 = 100)

VIX is the Chicago Board Options Exchange’s CBOE Volatility Index.
Source: African Development Bank statistics and Haver Analytics.
The Russia–Ukraine conflict began as the global economy was gradually recovering from the negative effects of the COVID-19 pandemic and as pent-up demand amid persistent gridlock in global value chains stoked a surge in commodity prices, fueling strong inflationary pressures. Russia's invasion of Ukraine and the associated sanctions on Russia have imposed costs and volatility on the global economy, transmitted through three main channels—energy and nonenergy commodity prices, supply-chain disruptions, and financial markets. These have direct and indirect implications for African economies.

Both Russia and Ukraine are key players in the global agri-food market and account for more than 25 percent of the world’s trade in wheat, more than half the global trade in sunflower oil, and 30 percent of global barley exports. This dominance poses a major challenge for Africa. In 2020, wheat and maize accounted for 41.6 percent (or $3.5 billion) of Russia’s $8.5 billion merchandise exports to Africa. In the case of Ukraine, wheat, maize, and vegetable fats and oils accounted for 58 percent ($3.8 billion) of exports to Africa.

Following disruptions in the production and transportation of agricultural supplies from both countries, food prices have soared to record levels. By April 2022, global wheat prices were up 72.5 percent from the corresponding period in 2021, and corn prices were up 21.9 percent. On a continent where 50–70 percent of household spending is on food, disruptions to agriculture production and supply chain have implications for food security and inflation, as well as poverty, especially in the low-income countries that depend on Russia and Ukraine for imports of food and other agricultural products. The rise in food prices has fueled inflationary pressures, which could exacerbate malnutrition and poverty among Africa's poor people, who allocate a greater share of their household income to food.

The surge in prices of food, energy, and other commodities will, however, create winners and losers across Africa. Energy-exporting countries stand to gain from higher than predicted prices, provided these countries have excess production capacity to respond to the positive price shock and shore up export earnings. For energy- and net food-importing countries, higher energy and other commodity prices coupled with prolonged gridlock in global supply chains could exacerbate inflationary pressures. Given that most African countries are net energy importers—as they export crude oil and import refined petroleum products due to lack of domestic refining capacity—the overall economic impacts are on the downside. Indeed, while net oil- and other commodity–exporting countries could benefit from higher prices, the impact on net energy- and commodity-importing peers is likely to offset these gains, resulting in higher inflation and constrained economic activity. This could slow economic recovery from the impacts of the COVID-19 pandemic. Net crude oil-exporting countries with fuel subsidy regimes could experience fiscal shocks due to the higher price of imported refined petroleum products.

Beyond energy and commodity prices, both Russia and Ukraine are significant sources of raw materials such as platinum group elements, nickel, and neon gas, which are critical components for manufacturing parts used in the automotive industry, consumer electronics, and renewable energy devices. For Morocco and South Africa, vehicle production and exports are likely to be constrained by the ongoing global shortages in vital car parts such as semiconductor chips and catalytic converters, while the supply of chip-reliant consumer electronic goods might experience some delays and elevated prices.

Notes
1. For wheat, Russia (18 percent) and Ukraine (8 percent) accounted for over a quarter of global exports in 2020. Both countries are major maize producers (contributing over 15 percent of global production) and exporters (contributing over 17 percent of global exports): Ukraine (15 percent of exports, ranking 4th) and Russia (23 percent, ranking 6th). For sunflower oil, the two countries account for nearly 60 percent of global production and over 75 percent of global exports.
2. United Nations Conference on Trade and Development estimates suggest that as many as 25 African countries, including many least developed countries, import more than a third of their wheat from Russia and Ukraine and that 15 of them import over half. Egypt, the world’s largest importer of wheat ($4 billion a year’s worth), accounted for nearly half of Africa’s wheat imports from Russia in 2020, followed by Sudan, Nigeria, Tanzania, Algeria, Kenya, and South Africa.
4.3 percent expansion in household consumption accounted for 62.1 percent of overall GDP growth while the 2.0 percent growth in gross capital formation accounted for 28.5 percent (figure 1.6). On the supply side, services grew by 4.4 percent, accounting for 63.6 percent of overall GDP growth, and industry grew by 1.5 percent, accounting for 22.4 percent of overall GDP growth (figure 1.7). In the short to medium term, the heightened inflationary environment could impact household consumption, and the disruptions in supply due to delays in reopening key manufacturing and trade hubs in China could impact industrial output.

**Growth varies widely across countries, regions, and country groupings**

The economic turnaround was highest in North Africa, with estimated growth of 11.7 percent in 2021 (figure 1.8, left panel). The region’s strong recovery was attributed largely to Libya, on the back of a strong rebound in oil sector activities, following easing of the decade-long political impasse, which led to the lifting of the oil exports blockade in late 2020. Growth in North Africa is projected to decelerate to 4.5 percent in 2022, largely reflecting ebbing of base effects in countries such as Libya (3.5 percent) and Morocco (1.8 percent), albeit with strong growth in Egypt (5.7 percent)—supported by improved trade with the European Union, its largest trading partner—and Mauritania (4.8 percent)—due to increased tourism (figure 1.8, right panel). However, higher oil prices will bolster the region’s growth and benefit Algeria and Libya. Libya will also gain from the peace dividend with easing political uncertainty.

Economic diversification in East Africa cushioned the region against the pandemic shock.
in 2020, aided by sustained public spending on flagship infrastructure projects. Closer trade ties within the region and strong agricultural performance have been key to the region’s sustained growth. Real GDP grew at an estimated 4.8 percent in 2021 and is projected to stabilize at 4.7 percent in 2022. Rwanda maintained its position as one of the top-performing economies, growing by 10.0 percent in 2021; its economy is projected to expand by 6.9 percent in 2022, driven by strong performance in services. The economy of Seychelles grew by 7.9 percent in 2021 and is expected to expand by 5.0 percent in 2022, underpinned by tourism sector activities and supported by a comprehensive vaccination rollout. Other top-performing economies include Kenya (6.7 percent in 2021 and 5.9 percent in 2022), buoyed by public infrastructure investment.
The economic turnaround was highest in North Africa, with estimated growth of 11.7 percent in 2021 and 4.6 percent in 2022, benefiting from increased public expenditure, household consumption, and investment in the oil sector following signing of the final investment decision on oil in February 2022.

In Central Africa, growth reached an estimated 3.4 percent in 2021 and is projected to rise to 4.6 percent in 2022. All countries in the region except Congo rebounded in 2021 on the back of increased trade in both oil and nonoil primary commodities. The economy of Democratic Republic of Congo grew by an estimated 5.7 percent in 2021 and is projected to accelerate to 6.2 percent growth in 2022, driven by sustained investments in the mining sector and rising copper and cobalt prices. The agriculture and services sectors in Democratic Republic of Congo have also recovered strongly. In Cameroon, real GDP is estimated to have grown by 3.5 percent in 2021 and is projected to pick up further, to 3.8 percent, in 2022, lifted by recovery in exports of oil and nonoil commodities.

Growth in West Africa was driven largely by Nigeria, the region’s largest economy. Average growth in the region stood at 4.3 percent in 2021 and is projected to remain strong at 4.1 percent in 2022. Nigeria’s economy grew by an estimated 3.6 percent in 2021 and is projected to expand by 3.4 percent in 2022, benefiting from high oil prices, recovery in services and manufacturing, and policy support in agriculture. However, the effect of higher oil prices may be offset by production constraints due to technical challenges and insecurity in oil-producing regions. Ghana and Côte d’Ivoire returned to a higher growth path, expanding by 5.0 percent and 7.4 percent, respectively, in 2021. Growth in both countries is projected to remain strong in 2022, supported by favorable cocoa prices and recovery in construction and manufacturing.

Southern Africa, the region hardest hit by the pandemic, saw estimated GDP growth of 4.2 percent in 2021, as South Africa’s economy posted strong growth of nearly 5 percent, the highest since 2007, reflecting large fiscal stimuli. Growth in the region is projected to decelerate to 2.5 percent in 2022 as the effects of these stimuli peter out, especially in South Africa, which is projected to post 1.9 percent growth. Botswana, with 12.5 percent growth, and Mauritius, with 4.0 percent growth, were among the top-performing economies in 2021. Both countries are projected to grow strongly, by 4.2 percent and 6.2 percent, in 2022. The recovery of growth in the region was driven largely by rising prices and global demand.
Key to growth in tourism-dependent economies was the easing of restrictions on tourists compared with competing destinations for both traditional and new tourism markets, especially the Middle East. These countries have some of the highest rates of fully vaccinated people on the continent, which has reduced fears of transmission and enhanced the safety of international travel. These factors, combined with high vaccination rates in source markets, will remain supportive of growth in 2022, projected at 5.6 percent.

Non-resource-intensive economies comprise some of the most diversified economies in Africa. Average growth for this grouping was estimated at 5.8 percent in 2021, underpinned by a resumption of productive activities as well as sustained fiscal stimuli to support domestic demand. Benin, Cabo Verde, Côte d’Ivoire, Morocco, and Rwanda posted growth rates above 7 percent. Growth in this grouping is projected to decelerate to 4.4 percent in 2022, supported by expanded industrial and agricultural production, sustained government spending on infrastructure projects, and continued growth in tourism and interregional trade.

Growth in oil-exporting countries was estimated at 8.1 percent in 2021, reflecting strong postpandemic recovery in Algeria and Nigeria and the base effects of Libya’s extreme 177.3 percent expansion. Nigeria’s growth was led largely by services, partly offsetting the contraction in oil output, while Algeria, Cameroon, Egypt, and Libya all gained from soaring oil prices and strong domestic oil production. Growth for this grouping is projected at 4.4 percent in 2022, but it could be higher if these countries increase oil production to take advantage of the global shortfall created by the Russia–Ukraine conflict and related sanctions on Russia.

Other resource-intensive economies, dependent mostly on metals and minerals, grew by an estimated 4.5 percent in 2021, as prices for these commodities approached record levels. The economies of Botswana, Burkina Faso, and Zimbabwe each expanded by more than 6.0 percent, but this strong performance was weighed down by slower growth in Sudan (0.5 percent) and other countries. The outlook for 2022 points to a slight deceleration, with average GDP growth projected at 3.3 percent for this grouping. But the growth outturn could be higher if the rise in commodity prices persists.

**Risks and upside factors to the growth outlook**

Africa’s growth projections are highly uncertain, largely reflecting the evolution of the COVID-19 pandemic (emergence of new, more transmissible variants, and low vaccine access and rollout); sovereign debt vulnerabilities and high debt levels in many African countries, limiting the capacity of countries to boost spending and financing after the COVID-19 recovery; potential spillovers from the tightening of global financial conditions due to elevated inflation risks in advanced economies; the Russia–Ukraine conflict and related sanctions on Russia; climate and environmental concerns and other exogenous disruptions, which would cause severe damage to domestic output given the high reliance of African economies on agriculture (chapters 2 and 3); and domestic and external sociopolitical and security issues, including a continuation of certain political upheavals in Africa.

Africa’s economic growth prospects could, however, be strengthened by a rollout of mass vaccination on the continent and the parts of the world that have yet to achieve it, allowing further normalization of socioeconomic activity; additional monetary and fiscal support; a comprehensive resolution of the debt problem; greater efforts to accelerate structural transformation; and a stronger-than-expected global economic recovery.

**Exchange rates, inflation, monetary policy, and fiscal positions**

Almost two-thirds of Africa’s economies saw exchange rate depreciation in 2021

Despite the economic rebound, currency depreciation continued in almost two-thirds of African countries in 2021, notably in commodity-exporting countries (oil exporters and other non-oil exporters), despite the increase in foreign
Average consumer price inflation in Africa increased by an estimated 2.2 percentage points to 13.0 percent in 2021, from 10.8 percent in 2020 (figure 1.10). The increase reflects a combination of higher local food prices attributed to drought-induced local supply shortages and a rise in global food and energy prices. Other contributors include the accommodative monetary policy to lessen the negative impacts of the pandemic and the pass-through effect of exchange rate depreciation on import prices in some countries. Inflation is projected to rise further to 13.5 percent in 2022, reflecting soaring global commodity prices due to supply-demand mismatches and supply chain disruptions, exacerbated by Russia’s invasion of Ukraine. China’s renewed COVID-19 lockdowns have led to the closure of key manufacturing and trade hubs, putting further pressure on supply chains. Africa’s inflation will, however, continue to evolve, depending on the duration of the Russia–Ukraine conflict, the easing of gridlock in global supply chains and the associated impact on commodity prices.

Average consumer price inflation in Africa increased by an estimated 2.2 percentage points to 13.0 percent in 2021, from 10.8 percent in 2020.

Inflation is projected to further rise in the medium term due to supply-chain disruptions and rising energy and food prices

FIGURE 1.9 Exchange rate changes, 2019–20 vs. 2020–21

![Graph showing exchange rate changes](image-url)

- **Monetary union**: CEMAC/WAEMU
- **Non-resource intensive**: South Africa rand
- **Other resource intensive**: Tunisia, Cabo Verde, Comoros, São Tomé and Príncipe, Morocco, Mauritania, Malawi, Somalia, Eritrea, Djibouti, Gambia, Uganda, Kenya, Burundi, Madagascar, Rwanda, Lesotho, Mauritius, Mozambique, Ethiopia, Seychelles, Liberia, Tanzania, Guinea, Botswana, Ghana, Sierra Leone, Congo, Dem. Rep., Zambia, Sudan, Zimbabwe, Egypt, Libya, South Sudan, Algeria, Nigeria, Angola
- **Oil exporters**: Algeria, Nigeria, Angola

CEMAC is the Central African Economic and Monetary Community. WAEMU is the West African Economic and Monetary Union.

Source: African Development Bank statistics.
Monetary policy in most African countries has been supportive of recovery

Most central banks in African countries with declining or relatively stable inflation have maintained or lowered monetary policy rates since January 2020, with the deepest cuts in Liberia (10 percentage points) and Egypt (4.5 percentage points; figure 1.11). Exceptions include Angola and Mozambique, which raised policy rates by 4.5 percentage points and 0.5 percentage point, respectively, between January 2020 and December 2021, owing to strengthening inflationary pressures. Some central banks, such as those in Ghana, Mauritius, Rwanda, and South Africa, also resorted to unconventional policy interventions, including direct liquidity injections into the banking system, moratoriums on loan payments by severely affected firms and households, and buybacks of government securities. However, with the recent increases in consumer prices—fueled mainly by high food and other commodity prices—monetary authorities have limited room for more accommodative policy and need to navigate cautiously as the recovery strengthens. A tighter monetary policy stance in countries where inflation expectations exceed medium- to long-term inflation targets, but this could have an unintended negative effect on economic recovery. In general, the convolution of factors buffeting the global economy and their implications for Africa test the potency of traditional policy tools designed to address challenges in normal times. The challenges brought about by the multiplicity of risks call for an unconventional policy response that combines domestic insights and a global forward-looking coalition and approach to reverse the tide.

Fiscal positions are expected to gradually improve

Fiscal deficits widened sharply in 2020, owing to COVID-19-related interventions (figure 1.12). Since the onset of the pandemic, African governments have undertaken fiscal stimuli, but amid constrained revenues, fiscal deficits widened to 7.2 percent of GDP in 2020, up from 4.3 percent in 2019.

Many of the stimuli included “above-the-line” measures, estimated at 6.2 percent of GDP by September 2021. Additional spending or forgone revenues are estimated at 0.8 percent of GDP.

With the recent increases in consumer prices, monetary authorities have limited room for more accommodative policy and need to navigate cautiously as the recovery strengthens.
Rising commodity prices and inflationary pressures triggered by the Russia–Ukraine conflict present a major headwind for the fiscal situation in the short to medium term, especially for net commodity-importing economies.

In 2021, fiscal deficits narrowed marginally in some countries, supported by economic recovery and attendant improvement in revenues. However, the estimated average deficit for the continent remained above prepandemic levels, at 5.1 percent of GDP in 2021, against 4.3 percent in 2019. Fiscal deficits are estimated to have declined from 6.7 percent of GDP in 2020 to 4.2 percent in 2021 in oil-exporting countries and from 8.0 percent of GDP to 5.8 percent in other resource-intensive countries (figure 1.13). These gains came on the back of recovery in the share of revenue from commodities. Tourism-dependent countries also gained from improved revenue, with their average fiscal deficit estimated at 8 percent of GDP in 2021, against 13.8 percent in 2020. The average fiscal deficit in Africa is projected to narrow to 4 percent of GDP in 2022 and 2023. The ongoing economic recovery will help shore up revenues. However, rising commodity prices and inflationary pressures triggered by the Russia–Ukraine conflict present a major headwind for the fiscal situation in the short to medium term, especially for net commodity-importing economies. In the long term, continued efforts to expand the revenue base, coupled with fiscal consolidation and better targeting of subsidies (where they form part of the fiscal policy toolkit), offer more promise for further reducing fiscal stress in Africa.

WAEMU is the West African Economic and Monetary Union.

FIGURE 1.12 Fiscal measures undertaken in response to COVID-19, September 2021

Source: Staff calculations based on the International Monetary Fund Fiscal Monitor.
Developing countries, including those in Africa, have struggled to provide fiscal support in response to the COVID-19 pandemic, exposing the asymmetry in resource availability and weaknesses of the current global cooperation system in sharing the burden of pandemic risk.

Globally, fiscal measures in response to the COVID-19 pandemic have varied hugely.

The fiscal measures implemented globally to tackle the effects of the pandemic are estimated at around $17 trillion, equivalent to about 19 percent of global GDP. Two-thirds of these measures have been in the form of additional spending or forgone revenue, and the remainder largely direct liquidity support. The size and composition of fiscal support have varied vastly by country grouping, in part reflecting countries’ fiscal space and economic development. Advanced economies and emerging markets in the G20 group of countries account for the bulk of the global fiscal response. Developing countries, including those in Africa, have struggled to provide such support, exposing the asymmetry in resource availability. Fiscal space could further decline in the face of expected interventions to cushion the adverse impact of the Russia–Ukraine conflict in African economies. Thus, addressing current weaknesses of the current global cooperation system will be essential in sharing the burden of the pandemic risk (figure 1.14, left panel) and evolving economic fallout from Russia’s invasion of Ukraine.

Of the injected $17 trillion, almost $13.5 trillion was by G20 advanced economies and about $1.8 trillion was by G20 emerging markets. Most countries, including low-income developing countries and other emerging markets, accounted for around $1.7 trillion. The total value of fiscal support in African countries was $89.5 billion (3.5 percent of Africa’s GDP and about 0.5 percent of global fiscal interventions), of which $30 billion was in South Africa. The disproportionately lower fiscal support by African governments relative to other regions further demonstrates huge world disparities in responding to global crises. This inequality is even more evident in per capita terms, with fiscal support estimated at about $15,000 in G20 advanced economies against a global average of $2,202 and only $66 in Africa (figure 1.14, right panel).

On top of the fiscal measures, advanced economies provided more than 10 percent of GDP in unconventional monetary policy measures through their central banks. In contrast, most African countries, already faced with tight financial constraints, deployed less than 2 percent of GDP in monetary policy support to supplement fiscal measures.

External financial flows to Africa

At the height of the pandemic, external financial inflows declined, while rising global uncertainties cloud the recovery.

In 2020, total external financial inflows to African countries—foreign direct investment (FDI),...
portfolio investments, official development assistance (ODA), and remittances—declined to 7.1 percent of GDP, from 8 percent of GDP in 2019 (figure 1.15). This decrease was due mainly to a sharp drop in FDI and in portfolio investments. FDI fell by 15.6 percent in 2020 to $39.8 billion, from $47.1 billion in 2019, as the COVID-19 pandemic hit cross-border investments at the global and regional levels. Although the decline in FDI was broad based, differences are notable between regions and country groupings. Steep drops were recorded by tourism-dependent economies (33.7 percent) and other resource-intensive economies (30.9 percent). Across regions, FDI inflows contracted by 26.1 percent to $10.5 billion in 2020 in North Africa, from $14.3 billion in 2019, and by

**FIGURE 1.15 External financial flows to Africa, 2015–20**

Source: African Development Bank statistics and staff calculations.
23.9 percent to $8.8 billion in West Africa over the same period.

FDI inflows fell to $6.5 billion in 2020 in East Africa, a 3.9 percent decline from 2019, and to $4.9 billion in Southern Africa, an 18.5 percent drop. Central Africa was the only region to register an increase, with inflows of $9 billion, up from $8.5 billion in 2019. Higher inflows in Congo (19.3 percent), Gabon (10.5 percent), and Democratic Republic of Congo (10.7 percent), reflecting a surge of investment in extractive sectors, supported FDI growth in the region. Per estimates for 2021, growth in FDI to countries on the continent ranged from 0 percent to 10 percent, much lower than the average of 15 percent for developing countries. The Russia–Ukraine conflict may not greatly affect FDI flows to Africa in the short term, as neither Russia nor Ukraine is a leading global investor on the continent. Before the conflict, FDI inflows from Russia to Africa accounted for less than 1 percent of the continent’s total FDI—mostly in the natural resources sector. However, the fallout could attract FDI flows to Africa, especially in countries endowed with exceptional minerals or oil and gas, as Western countries divest energy sources away from Russia. This bodes well for developing Africa’s future energy resources.

African countries recorded an outflow of $19 billion in portfolio investments in 2020, against a net inflow of $14.5 billion in 2019, as investors retreated to safer markets. Africa’s large economies, which all saw wide swings from inflows to outflows between 2019 and 2020—Egypt (from $4.13 billion to $8.13 billion), South Africa ($9 billion to $6.8 billion), and Nigeria ($3.1 billion to $3.6 billion)—experienced the largest net outflows due to pandemic-induced risk aversion. Net portfolio investment outflows persisted in 2021, peaking at an estimated $26.7 billion, up 40.2 percent from 2020. As with FDI, Russia is not among the main global portfolio investors in Africa. Hence, the Russia–Ukraine conflict is unlikely to have a material effect on portfolio investment flows. ODA to Africa is estimated to have picked up in 2021. However, advanced economies could channel their resources toward rebuilding efforts and humanitarian assistance in Ukraine at the expense of meeting their ODA commitments to Africa. A prolonged conflict could therefore have substantial long-term effect on ODA flows to Africa.

Despite the pandemic, remittance flows to Africa remained resilient in 2020 (due to counter-cyclical behavior in receiving countries and relative stability against capital flows), registering a smaller decline than projected in AEO 2021. Such flows reached $83.6 billion in 2020, just 3.9 percent below the $87 billion in 2019. Although flows fell to Central Africa (by 40.4 percent), West Africa (by 18.2 percent), and East Africa (by 1.3 percent), driven mainly by the sharp drop in Democratic Republic of Congo (down 46.6 percent), Nigeria (down 27.7 percent), and Uganda (down 25.5 percent), other regions recorded an increase. In North Africa, remittance inflows increased by 9.6 percent, pulled ahead by Mauritania (161.7 percent), Tunisia (15.5 percent), Egypt (10.5 percent), and Morocco (6.5 percent). Remittance inflows to Southern Africa also demonstrated resilience to the COVID-19 crisis, with an increase of 7.1 percent, mainly on gains in Angola (133.7 percent), Zambia (37.3 percent), Zimbabwe (29.3 percent), and Mozambique (16.4 percent) and despite an 8.9 percent decline in South Africa. Remittances are expected to remain stable in 2021 and 2022.

Sovereign debt

Sovereign debt remains a threat to recovery despite recent debt relief initiatives

The average debt-to-GDP ratio in Africa was estimated at 71.4 percent in 2020, stemming from weak public finance management systems, security spending, high inflation, weaknesses in revenue mobilization, and increased government spending due to the pandemic. In the short to medium term, Africa’s sovereign debt is expected to remain higher than prepandemic levels, as countries need additional resources—estimated at around $432 billion in 2020–22 (less than the AEO 2021 estimate of $484 billion, due in part to better-than-anticipated fiscal positions)—to address the socioeconomic impacts of the pandemic and
support economic recovery (figure 1.16). Indeed, amid reduced fiscal space, the much-needed policy support will continue to put pressure on African countries’ sovereign debt levels, which are projected to stabilize at around 70 percent of GDP in 2021 and 2022 (figure 1.17).

Although the increase in debt is nearly universal, country groupings show notable differences. The overall sharp increase in 2020—of nearly 10 percentage points—was driven by nonoil resource-intensive economies. These countries have contributed the most to the overall increase in debt, reaching more than 85.4 percent of GDP that year. They were followed by oil exporters (66.7 percent of GDP) and non-resource-intensive countries (65.3 percent of GDP). Debt levels in non-resource-intensive countries increased significantly, from 57.4 percent in 2019 to around 66.1 percent in 2021 and are expected to remain high in the near term. The average debt-to-GDP ratio in other resource-intensive countries is estimated to have declined to 75 percent in 2021. This mainly reflects declines in São Tomé and Príncipe (20 percentage points), Sudan (86 percentage points), Zambia (17 percentage points), and Zimbabwe (35.1 percentage points) due to large increases in nominal GDP relative to nominal dollar-denominated public debt and due to lower debt service obligations in 2021 resulting from the Debt Service Suspension Initiative (DSSI). However, heightened exchange rate depreciation pressures, particularly in net importers of commodities, on the back of the Russia–Ukraine conflict could increase the cost of debt servicing in many African countries.

The international community provided much-needed liquidity and temporary debt service relief during the pandemic, but this might not be enough to prevent countries from sliding into debt distress. Examples of liquidity support include the DSSI, launched in April 2020 and extended to December 2021. The potential savings from the DSSI in all 38 eligible African countries are estimated at more than $13 billion (figure 1.18), ranging from $4.5 million in Liberia to $2.9 billion in Angola. However, although the DSSI has alleviated significant immediate liquidity pressures on African economies, it remains shallow, with the potential savings from the moratorium representing only 24.5 percent of total debt service payments of African countries for 2020 and 40.1 percent for 2021 (see figure 1.18). In addition, this debt service standstill represents only

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**FIGURE 1.16 Additional resources needed to finance fiscal deficits in Africa, 2020–22**

<table>
<thead>
<tr>
<th>Percent of GDP</th>
<th>$ billions</th>
<th>Nominal value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
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<tr>
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<td>3</td>
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<td>27</td>
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<td>33</td>
</tr>
<tr>
<td>30</td>
<td>36</td>
<td>36</td>
</tr>
</tbody>
</table>

Note: The financing needs are computed as the monetary value necessary to cover the projected fiscal deficits in a country. Due to data constraints for 2021 and 2022, the computation did not factor in all the short-term debt, interest, and amortizations. In addition, it was assumed that African countries were unable to close the financing gap for 2020 and 2021, which therefore adds up to the overall financing needs for 2020–22.

Source: Staff calculations.
Figure 1.17: Gross government debt as a share of GDP, 2010–23

Source: Staff calculations based on the World Economic Outlook database.

A temporary solution because, with the expiry of the DSSI in December 2021, participating African countries must prepare to pay back in the following years their 2020 and 2021 debt service due.

Besides the limited potential savings from the DSSI, the facility was not designed to address the structural debt issues confronting the majority of African countries. Thus, in November 2020, the G20 and the Paris Club creditors reached an agreement on a common debt treatment framework (the Common Framework) to address protracted insolvency and liquidity issues in DSSI-eligible countries. The value added by the Common Framework was to bring in newer official creditors, notably China, one of the emerging large official bilateral creditors for many African countries. However, nearly two years after being established, the Common Framework has not credibly achieved its intended objective. Agreement on general principles have proved difficult to translate into operational results due in part to the combined effect of lack of creditor coordination, information sharing and procedural transparency, as well as private sector participation. Of the three African countries—Chad, Ethiopia, and Zambia—that have so far requested debt treatment under the Common Framework, none has completed the process to benefit from the facility. This suggests that more structural reforms are needed to help the continent grow out of debt.

Figure 1.18: Potential DSSI savings in the 38 eligible African countries, 2020 and 2021

DSSI is the debt service suspension initiative.

Source: Staff calculations based on African Development Bank statistics and the World Bank Debtor Reporting System.

The IMF’s 23 August 2021 general allocation of $650 billion equivalent in Special Drawing Rights (SDRs) has also helped alleviate the liquidity pressures of many countries by boosting their external buffers. Based on their IMF quotas, African countries have collectively received about $33.2 billion.
Yet this amount represents only 5 percent of their total SDR allocation and only a small fraction of their financing needs. To reconcile the distribution with these needs, the IMF has called for voluntary channeling of SDRs from members with strong external positions into the Poverty Reduction and Growth Trust, which is currently interest free.

High compliance with resource pooling into the trust is essential for African countries to benefit more from SDR liquidity and start the trajectory toward debt sustainability. In addition, the African Union Commission has called for reallocating SDRs from “willing” advanced economies to Africa and recommended that a portion of these be channeled through the African Development Bank as a prescribed holder for leveraging the resources to provide greater financing to African economies.

These debt relief initiatives have not, however, stopped debt vulnerabilities from continuing their climb, with 23 African countries either in or at risk of debt distress in February 2022 (16 are at high risk of debt distress and 7 are in debt distress) out of the 38 African countries for which debt sustainability analyses are available (figure 1.19).

Notwithstanding the rise in debt vulnerabilities in Africa, accommodative monetary policy stance undertaken globally at the height of the pandemic helped keep interest payments on debt in many African countries manageable. Monetary policy normalization in advanced countries to rein in inflation is stoking a rise in global interest rates. Coupled with increased pressure on the currencies of many African countries, tightening monetary policy in advanced economies is likely to exacerbate debt vulnerabilities. The prevailing economic environment characterized by limited scope for domestic procyclical fiscal policy in Africa may require reconfiguring the global policy response, including reinstating the DSSI framework, to help debt-ridden countries cope with emerging debt challenges. The new DSSI should provide incentives to attract the participation of commercial creditors, which hitherto had no appetite to engage with their borrowers.

External position and current account balance

Africa’s overall external position is projected to improve further, reflecting the stronger positive terms of trade shock on net energy, metal, and mineral exporters due to the Russia–Ukraine conflict and related sanctions on Russia

The overall current account deficit is estimated to have narrowed to 2.4 percent in 2021 from 3.7 percent in 2020 (figure 1.20). This reflects the resumption of dividend payments that were put on hold in 2020 and improvements in the trade balance and current transfers (figure 1.21).

FIGURE 1.19 COVID-19 has triggered an increased risk of external debt distress in Africa, 2010–22

Note: As of February 2022.
Source: Staff calculations based on the Debt Sustainability Assessments for Low-Income Countries database.
The overall current account deficit is projected to narrow to 2.0 percent of GDP in 2022, from 2.4 percent in 2021.

As countries began to open and as oil and other commodity prices and global demand rose, trade picked up, reducing Africa’s trade deficit. Similarly, as global sentiment improved, transfers to Africa began to recover. The recent SDR allocation has helped shore up the external position of some African countries.

The overall current account deficit is projected to narrow to 2.0 percent of GDP in 2022, from 2.4 percent in 2021, varying by region (see figure 1.20). The narrowing deficit in 2022 reflects the strong gains from favorable terms of trade for net energy, mineral, and metal exporters relative to losses from a potential increase in the trade deficit in net energy- and other commodity–importing peers. All oil-rich countries are expected to gain from higher oil prices and to reverse their deficit or strengthen their surplus in 2021. Central Africa, the region with the most oil- and mineral-rich countries, stands to gain the most, moving from a deficit of 1.6 percent of GDP in 2021 to a surplus of 0.4 percent in 2022. This reflects surpluses...
AFRICA’S ECONOMIC PERFORMANCE AND OUTLOOK

in Chad, Congo, and Democratic Republic of Congo. In Southern Africa, the current account surplus is expected to decline to 1.1 percent of GDP in 2022, from 3.5 percent in 2021, attributed largely to South Africa (deficit of 1.4 percent of GDP in 2022, from a surplus of 3.8 percent in 2021). North Africa and West Africa are projected to record lower current account deficits in 2022 (2.2 percent and 2.0 percent, respectively). In East Africa, the deficit is projected to remain stable at about 6.0 percent of GDP in 2022. Oil and natural gas exporters in North Africa, such as Algeria and Libya, are projected to benefit from the rise in prices, posting current account surpluses in 2022.

However, Africa’s current account outlook is subject to several uncertainties, including vaccination rollouts, the pandemic’s evolution, and the evolution of the Russia–Ukraine conflict. A prolonged conflict will lead to persistently weak global trade and potentially depressed tourism capital flows to African countries, which combined will further weaken the continent’s external position. Net commodity importers are the most exposed to the impact of the conflict and attendant sharp increase in commodity prices. These countries will therefore likely experience worsening trade and current account deficits. The main drivers of the current account deficit have been the trade deficit and net factor payments abroad, with current transfers on the other side (see figure 1.21). This breakdown is likely to change in the short to medium term depending on the evolution of the Russia–Ukraine conflict and its impacts on trade and financial flows.

UPDATED ESTIMATES OF THE SOCIOECONOMIC EFFECTS OF COVID-19 AND THE RUSSIA–UKRAINE CONFLICT IN AFRICA

Poverty and welfare effects

Despite an expected growth rebound in Africa, the combined effect of the COVID-19 pandemic and the Russia–Ukraine conflict is projected to exacerbate extreme poverty in Africa

An estimated 28.7 million more Africans slid into extreme poverty in 2021 relative to pre-COVID-19 projections (figure 1.22, left panel), up from about 26 million in 2020, and about 29.6 million are projected to do so on average in 2022 and 2023. The downward revision of the poverty effect of the pandemic in Africa from AEO 2021 (a drop of 4.6 million in 2020 and 10 million in 2021) reflected mainly better-than-expected growth performance in 2020 (a contraction of 1.6 percent, against 2.1 percent estimated in AEO 2021) and 2021 (a growth estimate of 6.9 percent, against 3.4 percent in AEO 2021).

The outbreak of the Russia–Ukraine conflict, which led to sudden increases in energy and other commodity prices and provoked global supply disruptions, has spilled over to African economies (see box 1.1). The projected slower growth coupled with higher projected inflation for 2022 will have repercussions for Africa’s poverty rate. In particular, shrinking real incomes amid rising prices of food and fuel will be disastrous to vulnerable households already living on the edge of poverty. If the Russia–Ukraine conflict persists, the number of additional Africans who could be pushed into extreme poverty as a direct consequence of the economic fallout from the conflict is about 1.8 million in 2022 and 2.1 million in 2023. Nevertheless, the poverty effect of the conflict depends on the country’s economic structure, notably whether the country is a net exporter or importer of oil and other commodities (figure 1.23).

However, in relative terms, the extreme poverty rate is projected to decline to 32.9 percent in 2023, from 34.3 percent in 2021 (figure 1.22, right panel), in line with the revised growth recovery outlook, but to remain around 2 percentage points higher than prepandemic estimates.

The majority of the new poor due to COVID-19 and the Russia–Ukraine conflict are in West Africa, which accounts for an average of around 39 percent of the total in 2021–23, with Nigeria having the largest poverty increase (around 5.4 million more a year, against some 465,000 on average for other countries in the region). North Africa (excluding Libya) and East Africa, with the highest real GDP per capita growth in 2021–23 (2.7 percent and 2.4 percent, respectively), are projected to show the smallest increases in extreme poverty rates in that period (0.5 percentage point and 2.1 percentage points).
FIGURE 1.22 Extreme poverty in Africa, 2018–23

<table>
<thead>
<tr>
<th>Year</th>
<th>Baseline scenario</th>
<th>Scenario without Russia–Ukraine conflict</th>
<th>Scenario with Russia–Ukraine conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>32</td>
<td>30</td>
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<tr>
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</tr>
<tr>
<td>2020</td>
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<tr>
<td>2021</td>
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</tr>
<tr>
<td>2022</td>
<td>40</td>
<td>38</td>
<td>40</td>
</tr>
<tr>
<td>2023</td>
<td>42</td>
<td>40</td>
<td>42</td>
</tr>
</tbody>
</table>

Note: The baseline scenario refers to projections before the COVID-19 pandemic. The scenario without the Russia–Ukraine conflict includes only COVID-19 pandemic projections without accounting for the impact of the Russia–Ukraine conflict. The scenario with the Russia–Ukraine conflict incorporates the impacts of the COVID-19 pandemic and the Russia–Ukraine conflict.


FIGURE 1.23 Projected impact of the Russia–Ukraine conflict on Africa’s extreme poverty by country, 2022 and 2023

Note: For each year, the poverty impact of the Russia–Ukraine conflict is computed as the difference between the preconflict and postconflict poverty projections.

**Poverty persistence is likely to delay reversion to pre-COVID-19 extreme poverty rates**

Going back to pre-COVID-19 rates of extreme poverty is likely to take more time than previously projected, especially in the current economic growth outlook (figure 1.24). On the assumption that African economies grow at the same average rate as currently projected over 2021–23, African countries would need more than a decade to catch up to the poverty rates projected before COVID-19, because real GDP per capita growth remains insufficient to offset the pandemic’s economic impact. In a more optimistic scenario, which assumes average GDP per capita growth of 1 percentage point higher from 2024 in each country, it would still require up to seven years on average to reach the extreme poverty rate that could have prevailed had there been no pandemic or Russia–Ukraine conflict. Policies supporting stronger recovery post-COVID-19 will thus be important not only to revert to pre-pandemic poverty rates but also to reduce them further.

**The pandemic is still disrupting labor markets in Africa, and employment is yet to fully recover**

Before the pandemic, Africa registered a steady movement of labor from agriculture to non-agriculture, particularly to the informal services subsector, which is estimated to be a source of livelihood for around 90 percent of Africa’s labor force. The pandemic further exacerbated the skewed trend in employment because of its strain on the private sector. According to the World Bank’s Enterprise Surveys Follow-up on COVID-19, about 18 percent of firms in the eight African countries covered by the surveys were forced to close temporarily or permanently between the first quarter of 2020 and April 2021, with wide variation in the share of firms across countries—from 5.2 percent in Mozambique to 65.8 percent in Chad (figure 1.25). The pandemic affected a higher proportion of firms in services (retail, hotel, restaurants, and other services) than in manufacturing—around 11 percent (5.7 percent permanently closed and 5.5 percent temporarily closed), against around 1 percent (permanently or temporarily closed).

**FIGURE 1.24 On current projections, Africa will need more than a decade to catch up to pre-COVID-19 and pre-Russia–Ukraine conflict extreme poverty rates**

![Graph showing poverty levels](https://example.com/graph.png)

Note: Post-2023 projections assume that each African country’s GDP per capita will grow from 2024 at a rate similar to its average per capita GDP growth in 2021–23, for both the baseline (pre-COVID-19) scenario and the scenario with the Russia–Ukraine conflict scenarios.

Business closure is still more pronounced in Africa than in other developing regions (table 1.1): 91.5 percent of firms in Africa remained open during the pandemic, against more than 95 percent in other developing regions. And while around 4.5 percent of African firms were permanently closed, 4.1 percent were still only temporarily closed at the survey. This is much higher than the proportion of firms permanently (1.3 percent) and temporarily (3.4 percent) closed in other developing regions. Firms in the formal sector faced a higher chance of business closure in Africa than in other regions, but an encouraging proportion of temporarily closed firms are reopening.

Businesses may be set on a slow path of reopening because employment has not fully recovered to prepandemic levels. The International Labour Organization estimated, for the first three quarters of 2021, working hours of at least 4.5 percent below the level in the fourth quarter of 2019, which is equivalent to 131 million full-time jobs (figure 1.26). In addition, Africa’s share of the global loss in working hours increased to 16 percent in 2021, with such divergence due partly to wide variations in vaccination access (figure 1.27; and see the “COVID-19 vaccination” section below).

One of the main reasons for the vaccination gap between Africa and the rest of the world is vaccine access. While other regions—mainly advanced economies—are swiftly extending their vaccination efforts by securing enough doses for their populations, African countries lag due to limited resources and options, despite initiatives such as COVAX and bilateral vaccine donations. Most African countries have therefore failed to vaccinate the 60 percent of the population initially targeted by their health authorities to achieve herd

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**TABLE 1.1** Transition probability of firm survival during COVID-19 between first quarter of 2020 and April 2021, Africa and other developing regions, percent

<table>
<thead>
<tr>
<th></th>
<th>Round 1</th>
<th>Round 2</th>
<th>Africa</th>
<th>Other developing regions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Permanently closed</td>
<td>Temporarily closed</td>
<td>Open Total</td>
<td>Permanently closed</td>
</tr>
<tr>
<td>Permanently closed</td>
<td>0.51</td>
<td>0</td>
<td>0</td>
<td>0.51</td>
</tr>
<tr>
<td>Temporarily closed</td>
<td>0.20</td>
<td>1.18</td>
<td>4.85</td>
<td>6.23</td>
</tr>
<tr>
<td>Open</td>
<td>2.58</td>
<td>2.59</td>
<td>84.75</td>
<td>89.92</td>
</tr>
<tr>
<td>Total</td>
<td>4.45</td>
<td>4.06</td>
<td>91.49</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Cell proportions are weighted using Enterprise Survey firm-level weight. Other regions of the world include, on World Bank definitions, Middle East and North Africa (excluding North African countries), Latin America and the Caribbean, East Asia and Pacific, and Europe and Central Asia. African countries in the survey are shown in figure 1.24. Source: Staff calculations using Enterprise Surveys Follow-up on COVID-19, rounds 1 and 2.
immunity through vaccination. In addition, the emergence of highly resistant COVID-19 variants such as Omicron and its rapid global propagation have highlighted the importance of vaccine equity. Many African countries will need to speed up their vaccination rollout, which, beyond health and mortality considerations, will also be critical for economic recovery, but vaccination rates of 50–70 percent for herd immunity seem implausible for most African countries on current trends.

Of 46 countries with vaccination data by 31 March 2022, 23 had daily vaccination rates greater than what is needed to meet the 50 percent target by mid-2022, but 17 countries will be unable to vaccinate 70 percent of their population by end-2022 unless they step up the rate (figure 1.28).

**FIGURE 1.27 Africa lags other global regions in COVID-19 vaccination rollout**

Source: Staff calculations from Our World In Data, 31 March 2022.

**Vaccine delivery inefficiency still curtails vaccination rates in Africa**

Inefficiencies in vaccine delivery still affect many African countries (figure 1.29). These impediments can be measured by the ratio of vaccines administered to vaccines received (through the COVAX initiative, bilaterally, or by any other means): the higher the rate, the more efficient the delivery. Between 2021 and 2022, vaccine delivery efficiency increased in 30 countries (group I) and
Inefficiencies in vaccine delivery still affect many African countries.

decreased in 22 countries (group II). Average vaccine delivery efficiency rate was around 58, meaning that out of 100 doses, about 42 had not been distributed.

Many factors could explain these efficiency differences, including institutional, economic, and geopolitical. Regression results in figure 1.30 show that African countries with more COVID-19 deaths per 1,000 people were more efficient in delivering vaccines, probably because the relatively high death rates created a sense of urgency to try to stabilize or reduce mortality. Countries with larger urban populations, where most COVID-19 cases are concentrated in Africa, also had lower efficiency rates, which might reflect coordination or networking challenges in reaching people. Unsurprisingly, countries with a higher density of physicians per 1,000 people, better logistics for international shipment, or high-quality logistics services, performed better in administering COVID-19 vaccines. Finally, countries in which people perceived greater control of corruption and greater political stability were also more efficient, highlighting the importance of improving governance on the continent.

Speeding up vaccination rollout is vital for fighting COVID-19 infections and reducing the death toll.

Results from a regression analysis of the links between confirmed COVID-19 cases, as well as deaths, and vaccination rates in Africa show that countries that have deployed large-scale vaccination campaigns have lower infection and death rates. After lockdown stringency, public information campaigns, existence and intensity of testing, contact tracing, face covering, and protection of elderly people are controlled for, confirmed COVID-19 cases per capita start declining just four to five days after intensified vaccination campaigns, relative to the baseline scenario (figure 1.31, left panel). In particular, 30 days after the launch of an aggressive vaccination campaign, cumulative confirmed COVID-19 cases per capita were on average 2.7 percent lower than in countries with no vaccination rollout policy.

Vaccination is also effective in stabilizing and even reducing the COVID-19 death toll: on average during the first 10 days after a positive shock of vaccination rollout, COVID-19 death rates become

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FIGURE 1.28 Gaps in vaccination rates for different vaccination coverage targets

Note: Countries that reached the specific vaccination coverage rate by 31 March 2022 are excluded from the panels. Dashed lines represent the 45-degree lines.
Source: Staff calculations based on data from the African Development Bank Statistics Department.
Boosting COVID-19 vaccination rollout can help accelerate economic recovery.

**FIGURE 1.29** Changes in efficiency rates of COVID-19 vaccine delivery in Africa between 2021 and 2022

Note: Countries in group I had an increase in their COVID-19 vaccine delivery efficiency rate between 2021 and 2022, and countries in group II had a decrease. Data are from 1 September 2021 to 31 March 2022.

Source: Staff calculations based on data from the Africa CDC COVID-19 Vaccine Dashboard.
relatively stable, against those in other countries and start declining (figure 1.31, right panel).

A higher rate of COVID-19 vaccination is also associated with quicker economic recovery

Boosting COVID-19 vaccination rollout can also help accelerate economic recovery. Figure 1.32 shows a positive association between COVID-19 vaccination rates and estimated real GDP growth among African countries in 2021 after infection cases are controlled for. The positive relationship could stem from many factors.

First, by vaccinating a larger share of the population, countries can open their economies more quickly than those with lower vaccination rates, domestic firms can return to normal activities faster—especially in contact-intensive sectors such as tourism, hospitality, and retail businesses—and trade with other countries can resume with fewer disruptions.

Second, by decreasing the high rate of COVID-19-related hospitalizations, deaths, and other health complications, a surge in vaccination rates will ease budget constraints, allowing countries to allocate more resources to other growth-enhancing sectors.

**FIGURE 1.30 Drivers of COVID-19 vaccination efficiency in Africa**

![Drivers of COVID-19 vaccination efficiency in Africa](image)

* is significant at the 10 percent level; ** is significant at the 5 percent level; *** is significant at the 1 percent level.

LPI is the Logistics Performance Index of the World Bank.

Note: All variables except COVID-19 deaths per 1,000 people have been averaged over 2010–19 to smooth out the effects of temporary shocks. An efficiency delivery score greater than 100 has been winsorized to 100. COVID-19 deaths are as of 31 March 2022, and vaccine delivery efficiency rates are averaged between 1 September 2021 and 31 March 2022. Source: Staff calculations based on data from the African Development Bank Statistics Department, the Africa CDC COVID-19 Vaccine Dashboard, World Bank World Development Indicators database and LPI rankings, and the Global Health Security (GHS) Index.

**FIGURE 1.31 Responses of confirmed COVID-19 cases and deaths to vaccination rollout in Africa**

![Responses of confirmed COVID-19 cases and deaths to vaccination rollout in Africa](image)

Note: The shaded area shows the 95 percent confidence interval computed with standard errors clustered at the country level. COVID-19 data are as of 31 March 2022.

Source: Staff calculations based on African Development Bank statistics.
Third, a higher vaccination rate implies quicker labor market recovery and fewer jobs lost due to the pandemic and is associated with less stringent workplace restrictions because vaccinated people are better protected against coronavirus than the unvaccinated. Recent evidence suggests a strong positive correlation between COVID-19 vaccine rollout and mobility in Africa (figure 1.33). In addition, for every 14 people fully vaccinated in the second quarter of 2021 worldwide, one full-time equivalent job was added to the global labor market.³⁸

Fourth, by mitigating new outbreaks of the pandemic,lbrace; which could re-induce large-scale lockdown restrictions, vaccination creates a more conducive environment for stimulating economic recovery. Finally, recent evidence shows that vaccination often leads to higher consumer confidence among the vaccinated or those who plan on being vaccinated, which may then sustain household consumption growth and subsequently induce a growth rebound.³⁹


Beyond COVID-19 and the Russia–Ukraine conflict lies the existential threat of climate change, and Africa is the global region most vulnerable to climate disasters.¹¹ Of the 10 countries most affected by climate change and climate-related weather events in 2019, 5 were in Africa.¹² A total of 131 extreme-weather, climate change–related disasters were recorded on the continent in 2020 and 2021, of which 99 were floods, 16 storms, 14 droughts, and 2 wildfires (figure 1.34). Climate-related disasters have huge long-term effects on human welfare and economic development.¹³ The economic costs of extreme weather events in Africa were estimated in the range of $7–$15 billion in 2020¹⁴ and could reach $45–$50 billion a year by 2040, equivalent to 7 percent of Africa’s GDP by 2100.¹⁵ In short, climate change presents massive risks to African economies; threatens the lives and livelihoods of tens of millions of people; and could undo hard-won progress in achieving some of the key targets of the Sustainable Development Goals (SDGs), the African Union’s Agenda 2063, and the Bank’s High-5s.

Because efforts to “build back better” and to engender resilient economies may be hampered by devastating climate-related shocks, policies to support postpandemic economic recovery for Africa must include initiatives to enhance its resilience by mitigating these shocks, which exacerbate output fluctuations and poverty. Yet climate change may also be seen as an opportunity to leapfrog to green growth and employment creation by leveraging the benefits from a just energy transition in Africa to sustainable and renewable energy systems.

A lack of affordable and reliable modern energy supply was one of the fundamental factors that hindered Africa’s competitiveness in the global economy and its economic transformation—and it still is in many places. Despite Africa’s abundant renewable and nonrenewable energy sources, the continent produces and consumes meager amounts of modern energy. An estimated 600 million Africans...
have no access to electricity, and Africa is the only region in the world where energy poverty is expected to increase over the coming decades.

Beyond the impact on long-term growth and competitiveness, lack of access to modern energy is detrimental for poverty reduction, job creation, health, education, and a host of other SDG-related areas. The post-COVID-19 recovery and climate-resilience efforts must therefore strike the right balance between Africa’s critical developmental needs and its energy system transitions, for it to achieve its global climate commitments.

Chapters 2 and 3 focus on the challenges and opportunities brought about by the pathways to a clean energy economy and discuss the expected costs and benefits of different just transition scenarios for the continent’s postpandemic development needs.

FIGURE 1.33 Correlation between COVID-19 vaccination rate and human mobility

Note: Africa and rest of the world averages are weighted by population.
Source: Staff calculations based on Google Community Mobility Data and Our World in Data.
Beyond COVID-19 and the Russia–Ukraine conflict lies the existential threat of climate change, and Africa is the global region most vulnerable to climate disasters.
Keeping the pandemic under control should remain the top policy priority for African countries. Increasing vaccination rates would reduce infections and protect against the emergence of more transmissible and deadly variants of the virus. In addition, better vaccination coverage will ensure that scarce public financial resources are channeled directly to post-COVID-19 recovery efforts and will help build economic resilience against future shocks.

**In the short run, these efforts will require better vaccine delivery policies that address logistical bottlenecks that have sometimes led to vaccine wastage.** Countries also need to address vaccine hesitancy among citizens through better and well-tailored public information campaigns that reassure them of the safety and efficacy of COVID-19 vaccines and, where feasible, contain the spread of misinformation. In the medium to long term, strong policy support is needed to strengthen domestic pharmaceutical capabilities to produce vaccines locally and thus greatly reduce the overdependence on external manufacturers. Current efforts to produce COVID-19 vaccines locally, spearheaded by the Bank, should be accelerated and scaled up.

**Increase investments in critical healthcare systems.** The pandemic is the latest health shock to hit the continent in two decades. Others include the 2014–16 and 2018 Ebola virus disease epidemics, as well as frequent outbreaks of cholera, dysentery, and hemorrhagic fever (such as Rift Valley fever, Crimean–Congo fever, and yellow fever). The inadequacy of critical healthcare systems in Africa raises the economic and social costs of these shocks, pushing countries further away from achieving the SDGs. Governments should invest more in their healthcare systems and increase the number of key healthcare workers to deal with recurrent health shocks by considerably expanding the budgetary allocation to the sector. Prioritizing the sector will entail investing in new healthcare facilities—or rehabilitating and upgrading existing ones—with state-of-the-art infrastructure and equipment; training health professionals in medical advances in managing and responding to pandemics and epidemics; and establishing clear preparedness plans against future resurgence of health shocks.

**Promote inclusive growth to address rising poverty and inequality through social programs and job opportunities targeting vulnerable people.** The impact of the lingering COVID-19 pandemic and the Russia–Ukraine conflict has put a dent in growth recovery in the medium term. As a result, extreme poverty in Africa is expected to exceed prepandemic levels in the medium term at least. Countries should undertake tailored social programs that reach the most vulnerable, such as women, young people, disabled people, informal workers, and female-headed households. Creating opportunities for decent jobs that target such groups would make them economically independent and resilient to future shocks. These efforts will require countries to implement reforms that support industrialization, diversification, and digitization; improve labor market regulation and make labor markets more adaptable and responsive to shocks; improve the management and efficiency of public tax systems; encourage private sector productivity-enhancing innovations; and match the curricula of education systems to the needs of labor markets.

**Contain inflation while safeguarding the recovery.** The recent increase in commodity and energy prices due to the Russia–Ukraine conflict and the ensuing inflationary pressures in many countries are making the trade-off between curbing inflation and safeguarding growth particularly challenging. In the
current situation, prompt and adequate policy responses are needed to avoid the risk of Africa sliding into stagflation. Given elevated inflation and debt in the context of a fragile recovery, as well as tightening global financial conditions, many countries were already grappling with diminished policy space, and this situation has worsened as a result of the conflict. To navigate this difficult trade-off, monetary authorities will need to carefully monitor the pass-through effects of rising international prices to domestic inflation, to calibrate appropriate responses. Monetary policy would need to take on a cautious tightening path in countries where the pass-through of rising energy and other commodity prices is stronger. In countries with independent monetary policy, raising policy rates would be warranted if there are signs of broadening price pressures and/or risks of de-anchoring inflation expectations. In countries where underlying inflation pressures remain contained, central banks can maintain an accommodative stance where the recovery is weak.

- **Coordinate monetary and fiscal policy, given the persistently weak policy space.** The complexity and limitations in policy space have made coordination between monetary and fiscal policies a crucial necessity. A tighter monetary policy that targets inflation should be complemented with a carefully calibrated fiscal policy response to support the recovery and protect the most vulnerable people. Some countries are planning to temporarily reduce the value-added tax and excise duties on household consumer goods (for example, food, cooking oil, and gas) and to introduce, reinstate, and maintain energy subsidies to cushion consumers from the impact of high energy costs. These measures could have significant fiscal costs, especially for net importers, if elevated commodity prices are prolonged. For this group of countries, supporting the most vulnerable will require reprioritizing spending—for example, by cutting nonessential expenditure such as wasteful subsidies to state-owned enterprises. Better targeting of social safety nets, focusing on the most vulnerable, could supplement efficiently implemented subsidies. Net oil exporters have the opportunity to use the fiscal windfall created by higher oil prices to build fiscal buffers and support the recovery and the most vulnerable. Where the recovery is weak, countries could use their extra fiscal space wisely by prioritizing targeted social spending and productive investment to build the foundation for faster future growth. However, for many countries, navigating this complex path will require decisive support from the international community and global cooperation to prevent a humanitarian and debt crisis.

- **Reinstate and reconfigure the DSSI and Common Framework, scale up efforts to accelerate governance reforms and strengthen public financial management to deal with the structural challenges of Africa’s rising public debt.** High public debt threatens recovery efforts on the continent and is holding back prospects to engender high and sustainable economic growth. Domestic policy response remains constrained by limited fiscal space amid growing social sector spending pressures. It is therefore imperative that the global community rethink terminating the DSSI framework, which was designed to provide temporary relief to countries facing growing debt overhang. A reconfigured DSSI and Common Framework will limit the impact on Africa’s public debt from the depreciation in domestic currencies due to the global uncertainty stoked by the Russia–Ukraine conflict and spillover effects of the tight monetary policy stance being implemented in advanced economies. African countries need to accelerate governance reforms and improve public financial management in order to decisively address their recurrent debt vulnerabilities. These actions require building strong budget institutions to efficiently mobilize domestic resources, conduct sound public expenditure, and implement rigorous debt management and budgeting. Strengthening the nexus among debt, growth, and governance will help maximize growth dividends of debt-financed public investments. Finally, countries need to improve their debt transparency by upgrading their debt statistics overall, particularly on
state-owned enterprises’ debt. Given that the consequences of the Russia–Ukraine conflict are compounding macroeconomic imbalances and debt vulnerabilities across the continent, effectively implementing global initiatives for debt relief and resolution is critical to avoid a wave of debt crisis.

- **Reduce dependence on any single supplier of food.** One lesson from the Russia–Ukraine conflict is that countries should diversify sources of imports of crucial goods and commodities such as energy and food to build resilience against idiosyncratic shocks. The long-run policy response to economic diversification should include enhancing intra-Africa trade to build food self-sufficiency. This will be crucial to build economic resilience to future shocks. The African Continental Free Trade Area offers substantial opportunities for diversifying trade and developing trade networks in key agricultural commodity markets and less volatile manufacturing value added products.

- **Boosting local cereal production in Africa will be important to mitigate global supply risks.** Supporting Africa’s small-scale farmers can trigger an agriculture revolution to feed Africa, especially in urban areas. It is imperative that African countries provide farmers with ample access to affordable finance, improved food production technologies (especially certified seeds adapted to extreme climatic conditions), large-scale systematic extension, and mechanization services, to boost food production. Moreover, food prices can be stabilized in the short term through targeted release and replenishment of strategic food reserves. Such interventions often work best if they bring together the private sector, the international community, national and international research centers, and governments.
## ANNEX 1.1 STATISTICAL APPENDIX

### TABLE A1.1 Real GDP growth (percent)

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Source: African Development Bank statistics.
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NOTES

2. “Above-the-line” measures include those for which the full cost is reflected in the fiscal deficit, government debt, and increased borrowing needs in the short term. These measures include additional spending (for instance, health services and unemployment benefits); capital grants and targeted transfers (such as wage subsidies and direct transfers); and tax measures (for example, tax cuts and other relief) provided through standard budget channels.
3. UNCTAD 2021.
5. COVAX aims to scale up the procurement and manufacture of COVID-19 vaccines and to guarantee fair and equitable access for all people around the world. The initiative is co-led by Gavi, the Vaccine Alliance; the Coalition for Epidemic Preparedness Innovations; and the World Health Organization.
7. The following specification was used to estimate the responses of COVID-19 infections and deaths to shocks to vaccination rates (Jordà 2005):

\[
\ln C_{i,t+h} - \ln C_{i,t-1} = \alpha_{i,h} + \gamma_{i,h} + \sum_{p=0}^{P} \beta_{h,p} V_{i,t-p} + \sum_{p=1}^{P} \tau_{h,p} X_{i,t-p} + \sum_{p=1}^{P} \sigma_{h,p} \ln C_{i,t-p} + \varepsilon_{i,t+h},
\]

where \( \ln C_{i,t+h} \) denotes confirmed COVID-19 cases or deaths per capita (in log terms) in country \( i \) on day \( t + h \), with \( h \) being the time horizon (\( h = 1, 2, \ldots, 30 \)). \( \ln C_{i,t-1} \) refers to COVID-19 cases or deaths per capita (in log terms) on day \( t - 1 \). \( V_{i,t-p} \) is the COVID-19 vaccination rate in country \( i \) on day \( t - p \), where \( p \) features lags to account for past values. \( \ln C_{i,t-p} \) is used to track the stage of the pandemic in the country. The specification includes two week’s worth of lags (\( p = 1, 2, \ldots, 14 \)). \( X \) refers to a vector of control variables including lockdown stringency, public information campaigns, testing, contact tracing, and policies on face coverings and protection of elderly people. \( \varepsilon_{i,t+h} \) is the error term.

REFERENCES


