COVID-19: Ten Policy Priorities for Africa’s Recovery, Growth, and Transformation
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COVID-19: Ten Policy Priorities for Africa’s Recovery, Growth and Transformation

The COVID-19 crisis is severely straining African societies and governments, threatening to undermine decades of progress. This paper outlines key measures to help African economies rebound more quickly after the immediate crisis and to ensure that the economic transformation agenda stays on track for the long term.

As Africa entered a new decade, there was sustained, if not vibrant, optimism for the future. Many of the continent’s economies were continuing to grow, while poverty was continuing to decline. In 2019, “regional growth was 2.4 percent and as of March 2019, more Africans were escaping extreme poverty than falling (or being born) below the poverty line. But now the pandemic is severely straining African societies and governments and the lasting effects will pose direct challenges to Africa’s growth trajectory and transformation agenda. The International Monetary Fund (IMF) expects economies to shrink during 2020 in at least 170 countries, with Africa hit especially hard. The World Bank has forecast that growth in sub-Saharan Africa could contract by up to 5.1 percent in 2020.

Many African governments quickly enacted “stay at home” measures and emergency fiscal and monetary policies. For example, Ghana committed $100 million to support preparedness and response, and another $166 million to support selected industries, while the South Africa Reserve Bank has reduced the policy rate by 100 bps to 5.25 percent and announced measures to ease liquidity conditions. The continental and global response in support of such efforts has been robust. The African Union (AU), Economic Commission for Africa (ECA) and African Development Bank (AfDB) are all tracking policy measures, providing assessments, and helping raise funds—the AfDB floated a $3 billion “Fight COVID-19” social bond, for example—and the Africa CDC has also responded quickly and effectively to the threat. Internationally, the IMF, World Bank, and UN system are providing emergency loans, grants, and guarantees and the G20 agreed to temporary halt debt payments for the world’s poorest countries, which should provide more than $20 billion in liquidity.

Emergency responses have largely been structured around a three-stage approach: saving lives now through health and epidemiological efforts; preserving livelihoods through social and economic support for families and the private sector; and protecting the future by investing in structural policies that will help ensure job creation and economic growth. This paper addresses policies in this last category. Even as emergency efforts unfold, African governments and the international community must ensure that Africa’s transformation agenda—which is critical to sustainable and equitable growth—is not permanently derailed.

In fact, governments should use the urgency of the COVID-19 crisis to make meaningful policy changes that not only will help in the short term but also strengthen the long-term recovery efforts. Emergency situations often create opportunities for lasting reform. For instance, during the HIV/AIDS and Ebola crises in Africa, important health sector reforms were initiated at the national, local government, and community levels. Likewise, the series of macroeconomic crises of the 1980s and 1990s led to an improved macroeconomic policy environment in many countries that led to vibrant economic performance from 1995 through 2008.

How can the COVID-19 response also support transformational reform in Africa? In quite a few ways. A crisis can be an opportunity to build trust in government institutions and between government leaders, citizens, and stakeholders to seize the moment in taking difficult policy decisions. And this increased trust can facilitate the acceleration of reforms during the rebound and strengthen transparency and accountability. A crisis often clearly exposes what policies, programs, and institutions are not working. This is key to prioritizing reforms in a low-capacity setting. A crisis can enable successful short-term policy measures to turn into medium to long-term reforms by creating new incentives for individual stakeholders. For instance, large firms could obtain crisis support, but on the condition of improved tax compliance and the reduction or elimination of tax exemptions going forward. And, certainly in the case of COVID-19, a crisis can serve as a reminder of the need to build economic resilience for better capacity and preparedness to deal with economic shocks in the future.

After the immediate COVID-19 crisis abates and the necessary economic and social adjustments are made, African economies must move as quickly as possible to regain lost GDP, jobs, revenues, investments, and productivity. This note is targeted specifically to forward-looking policies. It is not intended to replace important emergency measures to both save lives and preserve livelihoods; it is intended to protect the future by helping ensure Africa’s growth and transformation.

What follows are ten key transformative policy priorities for Africa: in the aftermath of the pandemic, economic “rebound” measures that will help position economies for a more rapid and sustainable period of growth. The policy recommendations are grouped in four areas: resource mobilization and management; governance, effectiveness, and transparency; business economies for a more rapid and sustainable period of growth. The policy recommendations are grouped in four areas: resource mobilization and

management; governance, effectiveness, and transparency; business and investment environment; and digital innovation and entrepreneurship.

These measures are not necessarily new recommendations, but the COVID-19 crisis may open up policy space for political alignment and solidarity that otherwise would not exist. In many cases these are actions that should be taken regardless of the pandemic, but now are more critical than ever to recapture gains lost during the crisis—and to accelerate economic transformation afterward. While there are many other policy options across all sectors—foremost and most urgently in public health systems, which is not covered specifically here—the actions emphasized below provide a balanced approach for both immediate relief and longer term economic transformation.

Resource Mobilization and Management

Some African governments are already taking measures to create fiscal space, such as reallocating budget resources to immediate COVID-19 needs and health responses or rethinking or postponing public sector projects. This crisis response environment also provides an opportunity to undertake transparent value-for-money assessments, which could include dropping some projects altogether, and enacting crucial measures to better manage and mobilize resources.

1. Close tax loopholes and eliminate exemptions.

On average, the tax-to-GDP ratio in sub-Saharan Africa has risen by only 2 to 3 percentage points of GDP in the past two decades, and at least ten countries’ tax to GDP ratios remain below 15 percent. With the collapse of industry in most countries and the extra burden of tax forgiveness related to COVID-19 response packages, revenue generation will become significantly more difficult.

Governments should move swiftly to identify tax loopholes and eliminate exemptions and concessions, particularly for global corporates and wealthy individuals. This would include taking steps to prevent tax-base erosion and profit shifting by companies from one jurisdiction to another. In this time of crisis, such actions will strengthen the social contract between citizens and government by addressing burdensome “tax expenditures”, which are often incurred without parliamentary oversight and a lack of public transparency. A recent McKinsey report suggests that programs to enhance tax and tariff performance, including closing tax loopholes, could have the potential to deliver revenues of between two and three percent of GDP, partially offsetting slower growth impacts on revenues. Given expectations of an economic contraction of more than five percent due to the crisis, such measures should be enacted as swiftly as feasible.

2. Enact policies to increase resource mobilization after the pandemic.

Tax collection levels are highly uneven across the African continent. In 2018, South Africa’s tax-to-GDP ratio stood at 25 percent, compared to 16 percent for Kenya and only about 11 percent for Ghana and Ethiopia. Even in oil-exporting nations such as Nigeria, tax collection excluding resource rents still makes up less than 10 percent of GDP. In most African countries, there is significant room to increase tax revenues over the medium term after the pandemic crisis. This can be done in part through investing in digital technologies to create more efficient tax systems, simplifying VAT policy in some countries and better enforcement of tax collection. Over the medium term, digitalization now provides opportunities to improve compliance through online registration, paperless tax transactions, and mobile payments. For example, according to Doing Business 2020, the use of online systems for tax filing and payment resulted in efficiency gains in several economies in Sub-Saharan Africa. Governments can take steps to improve enforcement and collections through increased investment in revenue authorities and audit functions, and by preparing for significantly expanding property tax revenue.

Governance, Effectiveness, and Transparency

Some countries are already reallocating budget resources and taking other actions to align funding to immediate and medium term priorities. Others are taking actions to improve government effectiveness and speed public sector response times during the crisis. While increased government interventions are necessary, so too are actions to increase transparency and efficiency and to help ensure COVID-19 emergency packages are well governed and effective.

3. Eliminate overlapping government initiatives.

Inter-ministerial responses and whole-of-government task forces provide an opportunity to see across budget lines and eliminate overlapping government functions. Some changes can be introduced as part of economic recovery. For example, governments with a multitude of job creation programs or agricultural support programs should move to consolidate initiatives for improved effectiveness and impact, resulting in significant savings. Along the same lines, there has been a trend across the continent to expand cabinets and ministerial posts, leading to unwieldy management and overlapping mandates. (That said, there have been consolidation in some countries, Ethiopia has reduced cabinet posts by nearly one-third.) The implications of streamlining ministerial positions can be significant for the wage bill and for improving efficiency in public expenditures, yielding more than a million dollars for each retrenched ministerial position.

4. Improve public expenditure management.

Given the fiscal space challenges, governments should use the urgency of the crisis to ensure all public monies are used in the most efficient manner, such as spending on activities that either respond directly to the crisis or on activities that will promote growth and economic transformation. In fact, if managed well, a reduction in public sector spending can help crowd in the private sector. To this end, it is critical to improve public expenditure management by line ministries, with special attention to waste and fraud. This would include vigorous vetting of government projects based on sound economic, technical and financial criteria. The capacity of the auditor general should be strengthened for rapid and robust...
audits and reviews. Where applicable, results-based budgeting should be introduced. In all countries, an enhanced effort should be launched to address longstanding corruption issues and pass legislation where needed to strengthen those anti-corruption efforts. Finally, budget allocations and audit results should be published regularly to ensure full transparency.

5. Revisit national development strategies.

Most countries have national development strategies, often aligned with the Sustainable Development Goals, but in many cases they are not backed by financing plans—and thus are not implementable strategies. In the context of the budget measures discussed, these strategies should be revisited with a view to ensure they serve as roadmaps for the economic recovery. It will be especially important to develop mechanisms by which SMEs and the informal sector can access support quickly and easily, including addressing supply chain challenges and basic production. Some governments such as Ethiopia, Kenya, Ghana, and Uganda quickly adopted policies to keep agricultural value chains active, but more will need to be done in the aftermath of COVID-19. In particular, governments should institute progressive food import substitution policies that provide market-oriented incentives for national food production and processing, while using the same to support women and smallholder farmers.

Business and Investment Environment

To sustain the business sector, some African governments are instituting new policies related to taxes, labor, access to credit, and debt services. In most countries, these actions include support to businesses and individuals as a response to temporary jobs cuts. But looking beyond the immediate impact of lock-downs and short-term unemployment, governments should focus primarily on ensuring an improved environment for business and investment.

6. Increase the ease of doing business.

African economies will only recover from this crisis with robust job growth if there is a thriving private sector. Extraordinary efforts should be taken now to pave the way for easy and rapid private sector activity, including the establishment of new firms, corporate expansion, and improved company registration and taxation policy. According to Doing Business 2020, Sub-Saharan African economies raised their average ease of doing business score by just 1 percentage point in the last year. Even in areas where African countries have made strides, they are well behind others. For example, in high-income economies, 97 percent of companies use electronic filing or payments, whereas in Sub-Saharan Africa it is only 17 percent. The “beyond emergency” policy measures need to address the most pressing binding constraints to business in each country—which in many instances will be access to credit, contract enforcement, labor regulations, and reliable provision of utilities.

7. Improve investment policy in key sectors.

Closely related to improving the ease of doing business, governments should move quickly to foster investment after the immediate crisis, particularly in key sectors such as infrastructure and manufacturing. The investment pipeline should be re-assessed (in coordination with the private sector) to prioritize those projects that are in the greatest national interest, will lead to job creation, and will have the largest economic impact in the medium term. Importantly, this may include investment in health systems, which in some countries were not considered priorities in the past. Investment promotion agencies should revise standard pitch documents, and governments should quickly make policy changes related to regulatory, financial, and legal issues. While the global economy is being greatly impacted, there will remain a very large latent capital base looking for bankable projects—and Africa should take advantage.

Digital Innovation and Entrepreneurship

In response to the crisis, governments across Africa will be looking to find new solutions to old problems and to crowd in finance to spur employment. There have already been many examples of innovation efforts such as leveraging diaspora finance and supporting entrepreneurs. For example, South African measures included R700 million/$38 million to small and medium enterprises, while the Co-Creation Hub in Nigeria has provided funding to startups working on COVID-19 related projects such as telemedicine, food delivery, production of personal protective equipment, and multimedia campaigns. There has also been a rapid increase in the use of “contactless” technologies for business, health care, and learning. Governments should start planning now to accelerate their digital economies and foster rapid and broad innovation.

8. Crowd in venture capital for entrepreneurs.

In seeking investments, African governments should actively encourage venture capital funding to foster entrepreneurship and accelerate advances in technology and innovation. Even though some 150 digital startups mobilized a record $1.16 billion across Africa in 2018, that figure represents less than 1 percent of global incubator funds—all the more notable since some 80-90 percent of Africa’s venture capital funding originated outside the continent. By comparison, India attracted $7 billion in 2018; China’s total was a staggering $70 billion. By crowding in more venture capital, there is tremendous scope for countries to spur business and economic activity, especially in tech. For example, the Digital Transformation for Africa initiative, a coalition led by the African Union, involves increased funding commitments of $100 billion over the next decade to close Africa’s digital divide.


Technology and innovation hubs are proliferating across the continent—approximately 620 active tech hubs were identified in 2019. But these hubs are often disconnected from government policy and are not well integrated into the private sector. As a result, innovation often occurs in “silos” with limited overall economic impact. Countries should prioritize a more robust and inter-connected innovation ecosystem between entrepreneurs and tech hubs, funders and development partners, and policymakers and other government actors. Some steps are being taken; the Digital Transformation for African initiative entails a comprehensive new approach and tighter policy coordination. In addition, policymakers in particular have an important role to play in supporting an innovation ecosystem by ensuring ease of entry for entrepreneurs, maintaining robust public-private dialogue, and instituting clear regulations for innovation finance.

10. Develop comprehensive innovation policy.

A few countries, including Kenya, Mauritius, Morocco, South Africa, and Tunisia, have comprehensive digital or innovation strategies in place—most focused on digital technology. The strategies should be aligned with national development priorities as discussed previously and highlight sectors that will support job creation. They must also directly address skills that will be needed for the next generation and the future of work in Africa. The Fourth Industrial Revolution is ushering in new technologies—artificial intelligence, the internet-of-things, and gene therapy, among other examples—that will reshape entire sectors of the economy. Likewise, the COVID-19 crisis is changing how people work, learn, and receive services such as health care. Countries that have not developed such strategies should start now, with a view to using the economic recovery as an opportunity for entrepreneurs to lead development of new markets.
Given the unprecedented nature of the COVID-19 crisis, the most immediate policy actions for any state to undertake are obvious. Governments must first and foremost direct their resources and focus their responses on ensuring public health and safety. In this regard, the actions of many of African leaders has been heartening. At a national level, heads of state, central bank governors, ministries of finance, and health sector leaders have moved quickly. In most instances, citizens have responded appropriately to stay at home orders and where possible, social and financial assistance has been provided to the poorest and sectors most affected.

However, supporting design and implementation of policy reforms to ensure a faster economic rebound will face many barriers and challenges. For example, there will be a critical need for stronger cooperation and intra-Africa trade to increase the regional provision of critical supplies such as food and medical equipment—but implementation of the African Continental Free Trade Area Agreement is likely delayed. There also is no way to predict how long it will take for global medical systems to gain full control over the COVID-19 pandemic. Whatever the timeframe, the economic rebound is likely to take many years beyond that. Finally, addressing all challenges will require transformative political leadership now more than ever: a clarity of vision, implementing smart policies, governing selflessly, and building trust among citizens, which not only will make implementing reforms during the rebound easier but also greatly enhance the chances of success.

The recommendations outlined here must, of course, be adapted to each local context, with the full recognition that not all reforms will be feasible in many countries. They also are not exhaustive, and governments will need to address a wide range of other policy challenges. But if the recommendations are prioritized and pursued, they will help African economies rebound more quickly over the next three to five years and help ensure transformation goals—and all the gains made thus far—are not lost in the process.
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