Challenges faced by Sub-Saharan Africa; the economist perspective.

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Introduction

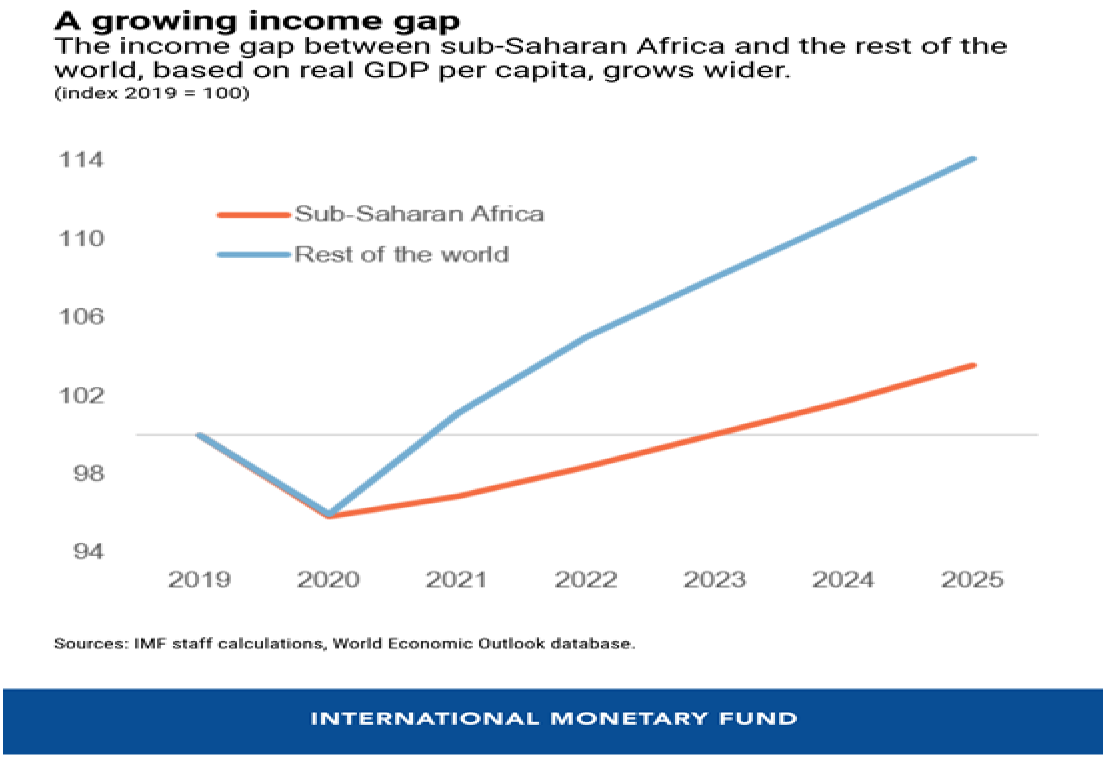
In the early 2000s, Sub-Saharan Africa experienced tremendous economic growth and investment, nicknamed "Africa Rising" by some observers. However, much of this wealth has not translated into considerably higher average earnings or additional jobs, and regional inequality is still large.[1] The worldwide financial crisis of 2008, as well as a downturn in commodity prices such as crude oil, iron ore, copper, and palm oil, put a slowdown to this expansion. Additional long-standing issues in the African region, such as poor infrastructure and lack of funds, continue to hinder the region's economic development, which is overtaken by the growing population.[2] Economically, the region is also hampered by historical, political, and social issues such as colonialism's heritage, violence, instability, and poor political leadership.

The world's lowest total gross domestic product (GDP), which measures the total value of goods and services produced in a country or region, is found in Sub-Saharan Africa. Africa's average GDP per capita is little about $4,000, which is also less than one-fifth of the global average.[3] However; this gap may close in the near future. In 2018, the region recorded eight of the world's twenty fastest developing economies. Despite significant GDP growth in nations like Ethiopia and Ghana, wealth in Sub-Saharan Africa remains concentrated. The region's wealthiest countries, Nigeria, and South Africa account for about half of the region's GDP.[4]

Recent trends in Africa's Economic Development challenges

Many African countries experienced rapid economic growth beginning in the early 2000s. Some countries saw middle-class expansion, rapid growth in access to digital communications, and progress toward some of the United Nations Millennium Development Goals (MDGs) now Sustainable Development Goals (SDGs), though from a low base by global standards, thanks to high commodity prices and strong domestic demand. However, the results differed greatly across the region.[5] Although poverty alleviation was largely restricted across the area, resource-rich states saw stronger growth but smaller reductions in poverty and slower progress toward human development than their resource-poor counterparts.

Fig.1.0: The income gap between Sub-Saharan Africa and the rest of the World.



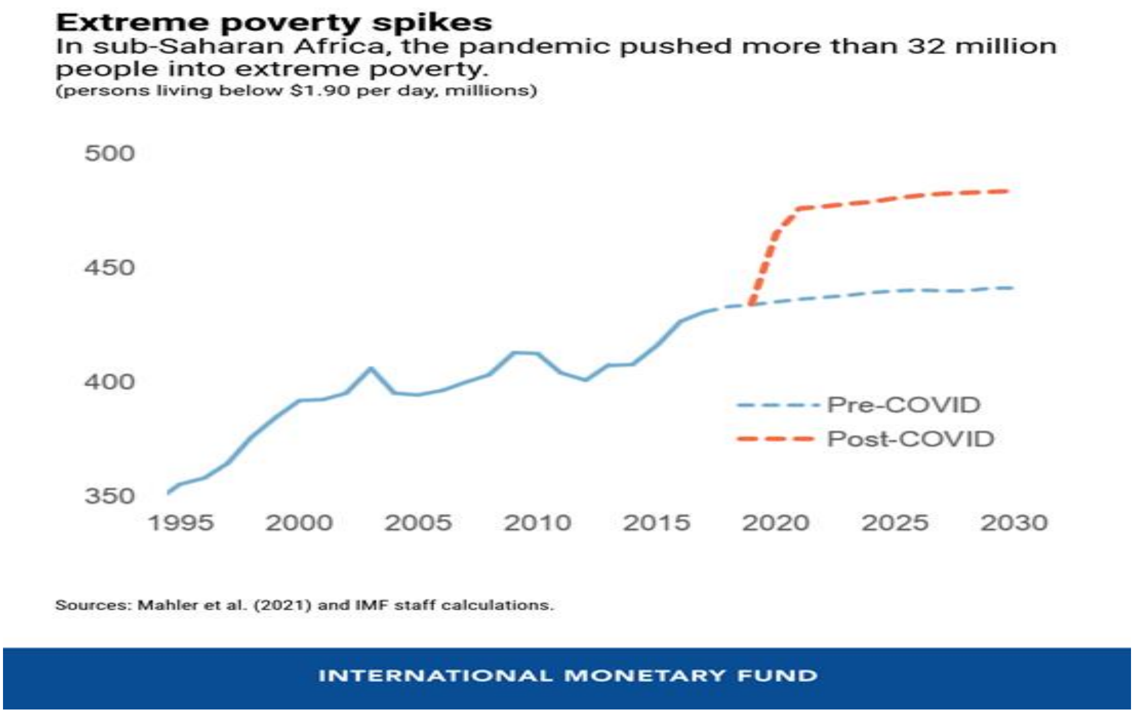
In comparison, the rising income gap between Sub-Saharan Africa and the rest of the world is anticipated to result in greater disparities in living standards between countries. These have the potential to have significant economic ramifications.

Many countries' per capita GDP will not recover to pre-crisis levels until the end of 2025. Sub-Saharan Africa's recovery is predicted to lag behind the rest of the globe, with cumulative per capita GDP growth of 3.6% for the 2020-2025 periods, significantly lower than the rest of the world (14%).[6] The lack of covid-19 vaccine access and the region's fiscal constraints are projected to have an impact on the economy. As a result, during the next five years, the growth gap between Sub-Saharan Africa and the rest of the globe is anticipated to expand even more see fig.1.0

International assistance will be necessary to satisfy the $245 billion in additional external financial demands that Sub-Saharan Africa's poorest countries face over the next five years or $425 billion for the region, in order to promote future growth and transformative reforms. The Group of Twenty debt-service plan was already extended until December 2021, and the new Common Framework on Debt can support in this regard. The planned $650 billion transfer of special drawing rights would offer around $23 billion to Sub-Saharan African countries to help increase liquidity and combat the pandemic[7]. To achieve these needs, however, contributions from all possible sources, including international financial institutions and the private sector, as well as debt-free assistance from donors, will be necessary. The crisis will not be over until it has ended everywhere. To give Sub-Saharan Africa a fair chance at long-term recovery and a wealthy future, a global commitment will be imperative.

The COVID-19 crisis has hindered the African continent's economic and social progress, leaving long-term scars on the continent's economies. In 2020, the number of people living in extreme poverty in Sub-Saharan Africa increased by more than 32 million; the number of missed school days is more than four times that of advanced nations, and employment declined by about 8.5%[8]. Per capita income has reverted to 2013 levels in terms of livelihoods. To avoid permanent scars, stronger social safety nets are required to deliver support swiftly and efficiently to those who are most in need.

Fig.2.0: Poverty trends in Sub-Saharan Africa due to the covid-19 pandemic



Since 2014, many African countries have faced economic headwinds as a result of low global commodity prices and bad agricultural conditions. According to the International Monetary Fund, regional average gross domestic product (GDP) growth fell from 5% in 2013 to 2.7% in 2016, before recovering somewhat to 3.3% in 2017.

Many African economies, particularly in the energy, mining, and agricultural sectors, remain undiversified and rely on raw or minimally processed commodity exports. Meanwhile, public debt-to-GDP ratios are growing in a number of nations, after falling dramatically in the 2000s due to concerted debt reduction measures by international lenders. The World Bank designated 18 African countries as "at high risk of debt distress" in early 2018, up from eight in 2013[9]. Rising fiscal deficits and weak exchange rates, particularly in commodity-exporting countries, are blamed by the World Bank for the trend. Tax collection in the region is still low, restricting fiscal policy options.

In the near term, high debt-service costs in Sub-Saharan African countries will limit spending in key and productive sectors, slowing growth. Low revenue yields during the epidemic exacerbated debt levels in Sub-Saharan African countries.

In some parts of the region, economic turmoil, poor agricultural conditions, and brutal conflict have impeded progress in human development since 2013. Many countries lack the institutional capacity to promote long-term development and growth. In many countries, corruption and insecurity obstruct progress toward socio-economic betterment.

Africa has fallen behind other developing regions in terms of human development on various fronts. Africa continues to have the highest maternal mortality rates of any area, accounting for about two-thirds of all maternal fatalities worldwide. Africa has the greatest rates of child mortality and stunted growth in the world, as well as the highest rates of HIV/AIDS, TB, and malaria. Health in the region is further harmed by a lack of adequate drinking water—only 24% of Africans had access to it—and unsafe sanitation facilities[10].

Trade between Sub-Saharan African countries accounts for only 10% of the region's total trade. However, in the not-too-distant future, this figure could soar. Most of the region's leaders signed the African Continental Free Trade Agreement (CFTA) in 2018, the largest free trade agreement since the World Trade Organization was founded, after more than two years of negotiations[11]. The agreement has the potential to increase intra-African commerce by 50% by 2022. Sub-Saharan African economies export around $6.5 billion in merchandise items every week. However, only about a fifth of those exports are bound for countries outside the region. The emerging African Continental Free Trade Area would not only lower Africa's vulnerability to global disturbances, but would also strengthen regional competition, increase productivity, attract foreign investment, and promote food security. For the time being, the region's biggest trading partners are China, India, Germany, and the United States; however, both Russia and Brazil have significantly boosted imports from and exports to the region in recent years[12].

In Sub-Saharan Africa, the unemployment rate is roughly 6%. However, because the region has the world's lowest levels of access to higher education, the majority of the job available is unskilled or low-skilled. So, even though many Africans are employed, 70% of the labour force in Sub-Saharan Africa remains vulnerable. For vulnerable occupations, the global average is 46%[13]. According to a survey, the most important concerns in Africa are unemployment and underemployment.

Sub-Saharan Africa is home to nine of the world's ten most susceptible countries to climate change. Accra, Dakar, Durban, and Lagos are among the region's ten most susceptible coastal cities, each having a population of over a million people. With more extreme weather events endangering the health of its people and businesses, Africa is predicted to be one of the continent's hardest hit by climate change. At the same time, widespread migration as a result of flooding or droughts could place a strain on resources such as food, water, and housing in less affected areas.

In terms of basic education, Africa lags behind other regions. Almost a third of African youngsters between the ages of six and seventeen do not attend school. Despite gains toward inclusion, African girls are disproportionately excluded. Africa's labour market has failed to keep up with the rising number of people of working age. Approximately 79%of Africans are unemployed or employed in precarious positions (such as self-employment), which are generally associated with low pay and instability. In 2017, 61% of the African labour force was living in poverty (24%) or extreme poverty (37%).[14]

Measures to address the economic challenges in Africa

Implementation of bold and transformative reforms: Day after day, over 90,000 new internet users in Sub-Saharan Africa sign up for the first time.[15] Taking advantage of the digital revolution would strengthen Sub-Saharan Africa's resilience and efficiency, increase access to global markets, improve public service delivery, increase openness and accountability, and encourage job development.

In Sub-Saharan Africa, 20 million new job seekers enter the labour market each year, making it one of the region's long-term strengths.[16] With an increasingly urbanized population, transformative reforms to strengthen social protection systems, promote digitalization, improve transparency and governance, and mitigate climate change would help boost consumption in the region, which could also drive global demand for goods and services, within the next 10–15 years. By mobilizing domestic revenue, improving the efficacy and efficiency of spending, and reducing public debt vulnerabilities, policymakers will be able to support these reforms.

Macroeconomic stability must be maintained. Governments should expand on the progress made in recent years to reduce budget deficits and thereby reduce the risk of unsustainable fiscal imbalances leading to arrears, default, or higher taxes.

Implement a more efficient tax system: Governments must enhance tax administration and enforcement, as well as take actions to eliminate tax exemptions, reject special interest pressures, and eliminate corruption. These initiatives should make it possible to raise revenue to support vital expenditures while lowering marginal tax rates by extending the tax base.

Infrastructure improvement: Most economies in the region still have serious infrastructure deficits in transportation (ports, highways, and railroads), communications, and electricity generation. Better allocating public funds and exposing these areas to private investment, along with suitable supporting policies to encourage competition, would improve infrastructure while reducing the budgetary load.

Conclusion

Despite the numerous challenges in the African region, there is still hope that Sub-Saharan Africa will rise again. There is the need to take bold and strategic policies that would improve prospects for faster sustainable growth and poverty reduction in sub-Saharan Africa. Faster sustainable growth is essential for improving living standards and reducing poverty: given the low level of per capita income in the region, redistribution alone would barely dent the problem of poverty. In addition to the need to maintain the focus on macroeconomic stability--through appropriate fiscal, monetary, and exchange rate policies--and on structural reforms to improve the efficiency of markets, policies should also target effective tax systems and improve infrastructure.

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