

Webinar

ADDRESSING GAPS AND CHALLENGES IN AFRICA'S MIDDLE-INCOME COUNTRIES

28th November 2023

Concept Note

I. CONTEXT

Africa's middle income countries (MICs) are a diverse group, but they face common challenges with each other and with MICs from other regions in striving to reach sustainable development goals (SDGs) and improve living standards of their populations¹. In 2023, 29 out of 54 African countries were classified as MICs, with only 7 in the upper middle-income group. Since the early 2000s, today's MICs have made significant contributions to the continent's economic and social progress and exhibited resilience amid cascading crises. However, halfway towards 2030, most MICs struggle to reach SDG, including SDG 1, eradicating poverty. In 2022, 40% of the Africa's extremely poor population (almost 200 million people) resided in its MICs. Globally, more than 1/3 (282 million) of the people affected by hunger were in Africa.

The middle-income trap (MIT) is a key development challenge for African MICs, similarly to MICs in other regions. Since the global financial crisis, only one African country (Seychelles) reached high-income status, but two (Equatorial Guinea, Mauritius) slipped back. With the African Union obtaining seat at the G20, the timing is right to make the MIT a priority of African policymakers. Escaping the trap will necessitate tapping into opportunities offered by 4th Industrial Revolution through innovation, investment in human capital, and leapfrogging into new sectors. Moreover, in the current global context with the livability of the planet threatened, just green transition is also critical. A key precondition is then developing human capital and diffusing new technologies to support new sectors that can drive climate-resilient growth. Achieving this will hinge on MICs' having adequate access to affordable finance.

The fairness and scale of flows of concessional finance to Africa's MICs have been a subject of major international policy debates. Africa's MICs face double-bind: Given their current relatively high – middle – income status, they need to undertake significant investments to maintain it, in particular because of the downside income risk induced by climate change. These investments are needed to prevent future downturns in MIC's income levels stemming from huge and negative impacts of climate change ("Global Public Bad"), to which they contributed only marginally. Despite this blatant imbalance, MICs' access to climate-proofing investments is constrained by the lack of concessional financing - due to their middle-income label. Differently put, without changes in qualifying conditions to concessional funding, MICs are in danger of being penalized for their development success achieved so far.

¹ Based on the World Bank estimates of gross national income per capita, the group of MICs includes lower middle-income economies (\$1,136 - \$4,465) and upper middle-income economies (\$4,465 - \$13,846).

Large public debt burdens in Africa’s MICs need to be addressed for countries to have adequate funds for investment in human and physical capital and reach SDGs. Many African MICs have experienced a series of major shocks, and while some of them have partially recovered, debt levels and debt repayment costs have increased significantly. At the same time, growing financing needs for investments in new sector, addressing climate change and other development priorities (pandemic prevention) are putting additional pressure on the limited fiscal space of many African MICs. Amid the global poly crisis, there is a renewed role for concessional financing at scale alongside private funding of the structural transformations that MICs need to escape the MIT and green their economies. In addition, any debt relief efforts should be linked to development goals and climate commitments.

Against this background the ECA Sub-regional Office for North Africa will organize, in cooperation with the Ministry of Foreign Affairs, Morocco and other organizations webinar on **“Addressing gaps and challenges in Africa’s Middle-Income Countries”**.

II. Objectives

Among the myriad of challenges that MICs face, the webinar will focus on two distinct but interconnected areas: (i) strengthening human capital and (ii) addressing the debt burdens. The webinar will be an opportunity for policymakers, practitioners, and academics to exchange experiences, views and shed light on the following questions:

On the 1st topic, *strengthening human capital*, the discussion will center on:

- The shortage of human capital is one of the main determinants of the middle-income trap. What enhancements to human capital African countries need to support developments of new sectors that are key for sustainable structural transformation?
- What job opportunities do African economies need to create to match the educational attainment of the labor force and prevent brain drain (and loss of human capital)?
- How are countries’ educational systems adapting to 4th Industrial Revolution to ensure that the workforce has adequate skills to tap into the opportunities the 4IR brings? What are the best practices on the continent and in other regions?
- How can the digital skills gap be measured and addressed?

On the 2nd topic, *addressing the debt burdens*, the discussion will center on:

- Amid enormous public debts globally, how should limited concessional finance be allocated across the spectrum of developing countries, including MICs? How should the debt burdens of African MICs be addressed, and the looming debt crises avoided?
- According to the IMF forecasts, for MICs the outlook for per income per capita growth has dimmed, implying that growing out of debt will be increasingly challenging. How can policymakers support inclusive and sustainable growth?
- How should the G20 Common Framework be restructured to become more common, less political and more rule-based and encompass needs of MICs? What other debt relief initiatives are needed?
- How can regional partnerships between African MICs and international partners help alleviate liquidity constraints and reduce public debt burdens?

III. Organizational information

Target Audience: The webinar is aimed at policymakers, practitioners, and academics

Event format: Online (Zoom link will be provided prior to the event)

Date and time: Tuesday, November 28, 2023, at 2.00pm Rabat time (GMT+1)

Languages: Discussions will be simultaneously translated into English, French and Arabic

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