
COVID-19 and Challenges Facing Africa



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Introduction

As the global pandemic COVID-19 has spread throughout the world, economies all around the globe are facing disruption in supply chains and international trade. Countries are facing the prospects of increasing unemployment, shrinking consumer demand, declining exports, falling investments as they continue to shut down their borders and impose lockdowns. Most advanced economies are resorting to income transfers to assist their poorer populations and employing fiscal stimulus packages to avert domestic crisis. Countries like the US, UK, Italy, Spain, Iran, Germany, etc. are amongst the worst affected by the current pandemic.

United Nations has stated that the global economy could contract by up to 1 per cent in 2020 due to the pandemic, as opposed to the rate of 2.5 per cent at which the world output was expected to grow earlier. In an assessment report, “Covid-19 and World of Work: Impacts and Responses”, the International Labour Organization has forecast that the outbreak could lead to a loss of almost 25 million jobs worldwide with workers facing income losses between USD 860 billion and USD 3.4 trillion by the end of 2020.¹

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COVID-19 and Africa

African nations have also started bracing for the impact of COVID-19. Countries like South Africa, Zimbabwe, Senegal, Sudan, Burkina Faso, etc. have already imposed lockdowns to control the spread of the virus. A 12-month-long state of emergency has been declared in Sierra Leone, while Rwanda has shut down its borders (Rotberg, 2020).

The current pandemic can negatively affect the income and employment levels, food security situation, export revenues, foreign direct investment in most African economies. Although the pandemic has arrived late in the African region as compared to the rest of the world, there is a need to tackle the various challenges posed by it head-on.

Being the poorest continent, the current outbreak can wreak havoc in Africa. The various effects of COVID-19 on African economies can be understood in terms of its impact on the following sectors.

Health: In terms of population demographics, Africa's population is relatively young. Hence, it is in a better situation in comparison to the rest of the world since the severity of illness caused by COVID-19 is higher in the elder population, as can be learnt through the case of countries like China or Italy. But African nations can find it difficult to cope with the huge crisis due to several weaknesses in its health care

sector. For instance, most African countries have a shortage of doctors and health care workers along with having very few hospital beds per capita, limited critical care units, short supply of ventilators, etc. Other than this, a large section of African population is suffering from diseases like malaria, HIV/AIDs, anemia, malnutrition, etc. which are known for weakening the body's immune system. According to WHO, around 26 million people in the region are HIV positive while over 58 million children are malnourished and stunted (Callaghan & Swilling, 2020). Under such circumstances, it is quite likely that the severity of COVID-19 would be far more in the younger population of Africa in comparison to the rest of the world.

Oil and other commodities: With disruptions in global trade and travel and falling oil consumption in Chinese and other economies, there has been a decline in global oil demand. The situation has been worsened with the global fall in oil prices. All this can severely impact the economies of oil producing and exporting nations like Nigeria, Ghana, Libya, Algeria, etc. According to the UN Economic Commission for Africa, the oil exporting African nations could face revenue losses of upto USD 65 billion (Smith, 2020). Apart from oil, fall in the prices of other commodities also will severely impact the resources of several African nations. This is because

commodity exports constitute a huge proportion of the GDP of many African economies. For instance, commodity exports for Congo constitute 70 per cent of its GDP and the country's exports to China amount to 50% of its total GDP. Moreover, 70 per cent of the world's cobalt is produced in Africa's copper belt region with China being the biggest importer of Cobalt in the world (Callaghan & Swilling, 2020).

Agriculture: Border closures, disruption in supply chains and trade can cause major problems for food security in most African nations. Countries for whom agricultural products form a major part of exports can suffer huge losses due to a declining demand for agricultural produce from Asian economies. For instance, Agricultural Business Center has stated that South Africa could face export losses of around USD 2.5 billion (Uzu, 2020). Moreover, African countries suffer from poor storage facilities and a low mechanisation level of farms. Shortage in labour force due to lockdowns and quarantines can cause disruptions in production and processing of crops that are labour intensive in nature. All this will further lead to food price hikes and food shortage. Already in countries like Ghana, prices of basic food products have risen due to panic buying.

Supply Chain: Since China plays a crucial role in the global supply chain, many African economies are dependent on Chinese imports for

goods like electronics, household items, textiles, etc. For example, around 60 per cent of South Africa's clothes and textiles are imported from China (Callaghan & Swilling, 2020). Due to the disruptions in supply chain, many small and medium sized enterprises in major African countries have been made to shut down their operations.

Airline: Due to the lockdowns and disruptions in global travel, the airline industry worldwide has suffered from severe losses. Since the time the coronavirus has started to spread, the airline sector in Africa has suffered from losses of around USD 4.4 billion in revenue. IATA data suggests that international bookings have fallen by 20 per cent and domestic travel has reduced by 15 per cent in Africa for the months of March and April in 2020 (Callaghan & Swilling, 2020). As a result of the collapse in the airline industry, the tourism and hospitality sectors have also been adversely affected.

Immediate Solutions

Considering the crisis that the outbreak has unfolded around the globe and also in African region, some of the immediate measures include using fiscal and monetary policies to protect domestic economies. The governments in various African nations need to increase their expenditures on health and other sectors and stimulate domestic demand.

There is a need to give economic relief packages to small and medium sized businesses to help them deal with the crisis, as they are likely to face cash and working capital crunch. All regional institutions within African continent should ensure proper movement of food and other essential supplies and try to minimize any wastages taking place within the supply chain.

To provide additional fiscal resources, the pace of implementation of African Continental Free Trade Area should be enhanced. As the African Economic Outlook 2019 shows that if other developing countries were to reduce their tariffs and nontariff barriers by half, then Africa could gain up to 4.5 per cent of its GDP or around USD 134 billion each year (Monga, 2020).

As the IMF and World Bank have called for debt relief to be given to the world's poorest countries, debt forgiveness is important for the African region as well. The continent's total external and domestic debt stock is around USD 500 billion and there has been a rise in the median Debt to GDP ratio from 38 per cent in 2008 to 54 per cent in 2018. Hence, without debt forgiveness the African countries could be pushed into negative growth per capita (Monga, 2020).

The outbreak of COVID-19 poses serious human, economic and social challenges and various stakeholders along with the national governments of African countries need to come together to cope with the crisis.

Endnote

- 1 <https://www.bloombergquint.com/global-economics/about-25-mn-jobs-could-be-lost-worldwide-due-to-coronavirus-un>

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