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Coronavirus in Sub-Saharan Africa: A Certain Economic Disaster, Possible Pandemic

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Recent numbers indicate that the vast majority of African countries now have confirmed cases of the coronavirus (commonly called COVID-19, technically SARS-CoV-2). Still, numbers of coronavirus carriers are relatively low compared with those registered in Europe and in North America. In fact, it may be too early to declare a pandemic in this region. South Africa started easing restrictions already on April 30, and Rwanda began easing its lockdown on May 4.

While the apparently contained virus-spread could increase and even get out of control in coming weeks, and the relatively low numbers could be just a first phase, the economic crisis generated by the coronavirus in Africa – and especially in Sub-Saharan Africa – is already a certainty. Economists are now busy assessing the scope of the crisis the continent will be facing in coming months and years.

Economies in Europe, Asia and America are likewise confronted with a significant crisis in the labor market and national growth generated by the coronavirus pandemic. But while governments there offer businesses and individuals state support on different levels, Africa faces unique challenges related to the vulnerability of its economy, its vast informal labor forces and lack of social security safety nets. Developed countries have already injected millions of dollars into their health systems, the social welfare of their citizens, and their economies. But most African governments are unable to match these efforts.

This article will address the ramifications of the spread of Covid-19 on three major fields, which were already experiencing a deep economic crisis in the continent: food insecurity, finances (both national funds and the transfer of capital), and the tourism industry. Millions of people in Africa, especially in conflict zones, depend on humanitarian aid for food and water. The destabilization of global supply chains, generated by closed borders and by the ensuing limitation on international trade, could bring about disastrous consequences for fragile societies in Sub-Saharan Africa.

The World Food Programme (WFP) has warned recently[1] that the Covid-19 pandemic could almost double the number of people suffering acute hunger, pushing it to 265 million by the end of 2020. The organization cites 10 countries which constituted the worst food crises in 2019; five of them are African (Democratic Republic of the Congo, Ethiopia, South Sudan, Sudan and Nigeria). The Economic Community of West African States (ECOWAS) anticipates that the impact of Covid-19 on the region could in the short term significantly increase the number of people at risk of food insecurity and malnutrition, growing from 17 to 50 million between June and August this year.

Speaking at an April 21 virtual session of the UN Security Council, WFP Executive Director David Beasley warned that "If we don't prepare and act now – to secure access, avoid funding shortfalls and disruptions to trade - we could be facing multiple famines of biblical proportions within a short few months."[2]

The financial field is affected on both public and private levels. According to an April 2020 UN report,[3] Africa remains the region with the lowest tax-to-GDP ratio. In other words, authorities manage to collect only a low percentage of taxes, and often find themselves in tax deficits. This situation, which is not new, is compounded by the crashing prices of petroleum-derived products, which account for 40 per cent of African exports. Oil producing nations such as Nigeria, Angola, Algeria and Equatorial Guinee, with their disproportionately high reliance on fuel exports are expecting a difficult period. Nigeria, for instance, gets around 86 percent of its total export

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[1] *World Food Programme (WFP),* "COVID-19 will double number of people facing food crises unless swift action is taken," News release, April 21, 2020.
[2] *WFP,* "Chief warns of hunger pandemic as COVID-19 spreads," News release on statement to the United Nations, April 21, 2020.
[3] *UNECA*, "COVID-19 in Africa: Protecting Lives and Economies," *The United Nations Economic Commission for Africa*, April 2020.

revenue from petroleum.[4] According to an April 21 report in the Financial Times,[5] Nigeria slashed its annual budget already in March, devalued its currency and requested $7bn in emergency multilateral funding as it warned of an imminent recession.

On the other side of the scale are the poorest countries that do not even have oil revenues. Over the past decade, members of the Paris Club[6] have bolstered efforts to come up with sustainable solutions to the payment difficulties experienced by debtor countries. But the coronavirus pandemic has created a particularly difficult situation for the poorest countries in sub-Saharan Africa, many of which facing already high external debt burdens. The World Bank called in March on official bilateral creditors to grant debt suspensions until the end of the year to countries eligible for International Development Association (IDA) financing.[7] Private creditors were also called to participate in the initiative on comparable terms.[8] Paris Club official creditors and the Institute of International Finance (IIF), which includes a group of more than 450 banks, hedge funds and other financial institutions, agreed on April 29 to collaborate on a debt relief initiative for the poorest countries, beginning May 1.

On the private level, the issue of remittance funds is crucial for African nationals.[9] According to a 2019 World Bank report,[10] 2018 remittances to sub-Saharan Africa grew by almost 10 percent to $46 billion, with growth mainly driven by countries such as Somalia and Mali. Comoros, Gambia, Lesotho, Cap Verde, Liberia, Zimbabwe, Senegal, Togo, Ghana, and Nigeria all register high percentages of remittance capital as share of their GDP. But on April 22, 2020, the World Bank warned that global remittances are projected to decline sharply by about 20 percent in 2020 due to the corona-induced global economic crisis. In sub-Saharan Africa, remittance flows are expected to fall by 23.1 percent.[11]

Another fragile sector is tourism, which was actually the first to be impacted by the coronavirus. The travel industry in Africa is a fast-growing business, but it has been hit hard several times in

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[4] *OPEC,* "Nigeria facts and figures."
[5] "Oil-producing nations grapple with latest price fall," *Financial Times*, April 21, 2020.
[6] CADTM, "What is the Paris Club?," *Paris Club*, March 4, 2016.
[7] Eligibility for IDA support depends first and foremost on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually ($1,175 in fiscal year 2020): IDA-World Bank site.
[8] David Malpass, "Debt relief for the world's poorest countries," *World Bank blog*, May 1, 2020.
[9] Gumisai Mutume, "Remittances are defined as the portions of cross-border earnings that migrants send home; Workers' remittances: a boon to development," *United Nations*, October 2005.
[10] *World Bank Group*, "Record High Remittances Sent Globally in 2018," *press release*, April 8, 2019.
[11] *World Bank Group,* "World Bank Predicts Sharpest Decline of Remittances in Recent History," *Press release*, April 22, 2020.

the past decade by terror attacks. These have often targeted either vacation sites or neighborhoods where foreigners live. Examples include the 2013 Westgate Mall attack in Kenya, the 2015 Sousse attack in Tunisia, the 2015 bomb that brought down a Russian plane in the Sinai Peninsula, and the 2016 attack on the Splendid Hotel in Ouagadougou Burkina Faso. With traveling restrictions world-wide, African countries like Tunisia, Egypt and Kenya, where tourism represents around 14, 11 and 10 percent of GDP respectively, are facing economic disaster.[12]

The international community is aware of the specific coronavirus challenges African social and health systems and African economies are now facing. As aforementioned, African labor markets include high percentages of informal work force[13] compared with Europe and North America, which cannot withstand a long period without work. A 2018 report states that most of the urban workforce in the global south is informal, reaching 76 percent in Africa, thus largely surpassing the world average of 44 percent.[14]

By the beginning of May, the World Bank became involved in 128 coronavirus support projects across the globe,[15] 41 of them in Africa. And while the majority of the projects are health-related, there are also several projects in fields of public administration, industry, and agriculture. But these recent efforts could prove a double-edged sword. Funds designed for combatting malaria, AIDS, and other diseases frequent in Sub-Saharan Africa might be funneled to anti-Covid-19 projects, even though its spread in the continent seems limited for the time being.

Scientists and medical experts are searching the reasons behind the relatively low numbers of coronavirus carriers in Africa, compared with China, Iran, Europe and North America. But whatever the reasons, Africa is severely affected by the impact of the pandemic in the countries hit the hardest. Clearly, the roots of Africa's economic fragility go back well before the virus. Petrol prices had started to decline well before Covid-19, considerably weakening African economies. Thus, it is not the epidemic itself that now hits Africa the hardest, but deliberate policies of restriction of supply by rich countries, for example through cutting considerable

[12] Dorothy Tembo, "The cost of coronavirus in Africa: What measures can leaders take?" *UN Publication: Africa Renewal*, March 31, 2020.
[13] The International Labor Organization (ILO) defines informal employment as employment without legal or social protection.
[14] Martha A. Chen and Victoria B. Beard, "Including the Excluded: Supporting informal workers for more equal and productive cities in the global south," *WIEGO and World Resources Institute*, 2018.
[15] *The World Bank*, "Ongoing COVID-19 projects," *BIRD-IDA interactive map*, May 1, 2020.

number of aid programs, which are needed now more than ever. The latter chose to confine their populations, thus stopping international exchanges and trade. The real pandemic now hitting Africa is that of closed borders.

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