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A wake-up call for Africa?

Africa's governments and their partners must not stop at fighting Covid-19. The continent needs a new economic model

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At present, no one really knows what toll the Corona pandemic has taken on Africa's health care systems. In many states, the numbers are rising at an alarming rate; in others they are falling. Looking at the statistics more closely, it becomes evident that on some days nothing is reported, that the figures are occasionally corrected after the fact and that the course of the virus is erratic, which is somewhat unusual for pandemics.

With the exception of island states Mauritius and Cape Verde, the number of tests per million inhabitants is below the global average. Just under a third of African countries do not even report the number of tests carried out. Assertions about the spread of the virus in the relevant population are therefore scarcely meaningful and rather conceal the real picture. Fortunately, the number of serious cases is small and death rates are comparatively low. This can be ascribed, among other things, to Africa's high proportion of very young people.

At national level, governments continue to focus on crisis management. The main priorities are caring for the sick and keeping the few intensive care units running, introducing social measures for those directly affected and preparing to support the private economy. This is done in large part with the assistance of foreign partners, either bilaterally or with multilateral institutions. Technical help and easing debt servicing through interest-payment moratoriums and debt deferral presently dominate discussions.

African economies' necessary

transformation

Little thought has been given – at least officially – to the global pandemic's medium- and long-term economic and social effects. The International Monetary Fund, the World Bank, the OECD and the African Union keep coming up with new figures on how hard the economic contraction in Europe, Asia and America will hit growth rates in Africa in the next few years. The IMF estimates that we can expect an up to 2 per cent contraction of the continent's economic output in the coming year. As recently as six months ago 5 per cent growth was being forecast. With annual population growth of 2.7 per cent, average incomes are set to slump. Governments' fiscal headroom for redistribution and investment is narrowing.

Given the heterogeneity of African societies and economies we cannot infer practical recommendations from the global data. Oil exporters, such as Algeria, Angola and Nigeria, look set to lose half of their export revenues in 2020. The prices of African agricultural products, such as cotton, palm oil and soya beans, have fallen sharply since March of this year. By contrast, rice, which has become the main staple of African – particularly urban – households, has become more expensive. Remittances from African migrants to their families on the continent are likely to fall by around a quarter this year. Countries such as Gambia, Cape Verde and Lesotho, where such transfer payments account for more than 10 per cent of national income, and more than a third of the population are dependent on them, have been hit particularly hard.

The international partners' current willingness to support the African continent in tackling the corona pandemic should be harnessed to outline such national strategies and put them into practice.

The downturn in demand for African export products in industrialised and emerging economies makes it clear how necessary structural transformation is for those African economies most dependent on commodity exports. That is the only way to guard against external market influences in future. But reforms in the countries concerned will not be sufficient. International trade relations should also be reshaped, investments in national and regional value chains should pay off, productivity should rise in agriculture and manufacturing and more jobs should be created in Africa.

Development partners also need to rethink

Strategic reorientations call for answers to a series of questions, which of course have to be tailored to the relevant national circumstances. The first thing to clarify is the sales markets towards which national production should be directed. Although in recent years Africa's trade flows have shifted more towards East and Southeast Asia, it has had little affect on the structure of foreign trade because the needs of those new markets are still largely for unprocessed products and commodities. More diversification, the further processing of intermediate products and the provision of services require more attention to specific comparative advantages and enhanced regional cooperation, especially in small domestic markets. The recent launch of the African Free Trade Zone only makes available the legal framework for more intensive intra-African trade; nothing can be done without the political will and political action.

Secondly, value chains need to be identified and given particular support. Selection criteria include, besides the abovementioned sales markets, the local availability of raw materials, the effects on the employment of local labour and positive effects on up- and downstream sectors. Finally, decisions must be taken concerning both physical infrastructure (energy supply, transport and communication routes) and human capital (training, health care, social security).

The international partners' current willingness to support the African continent in tackling the corona pandemic should be harnessed to outline such national strategies and put them into practice. There is no indication of new strategic plans in most donor countries, however. Much of the promised assistance for health care and the debt holiday give the impression that people want 'business as usual' to return as soon as possible.

There are a number of key levers that would enable Africa's development partners to foster transformation. First, further development of trade preferences to the point of prioritising the products of African manufacturers. Second, infrastructural investments in comprehensive electrification are needed, giving preference – especially in countries that cover a large area – to decentralised solutions. Third, where there are locational advantages – for example, level of education – targeted support should be considered for digital services. Finally – and this is likely to be the biggest challenge – development cooperation measures that might inhibit the desired transformation should be terminated.

In this perspective, the global pandemic can become a catalyst for a

significant change in economic systems. African governments do not yet seem to have heard the wake-up call. But when the immediate effects have been overcome, the relevant voices will increasingly be heard. We must hope that they will also be heard by Africa's development partners.



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