



# **POLICY BRIEF**

PB 20 - 37  
April 2020

## **GLOBALIZATION AND THE **COVID-19** PANDEMIC: HOW IS AFRICA'S ECONOMY IMPACTED?**

By Seleman Yusuph Kitenge

# Globalization and the COVID-19 Pandemic: How is Africa's Economy Impacted?

Seleman Yusuph Kitenge

## Abstract

**Globalization has major linkages to the spread of diseases. This paper analyses the link between globalization and the COVID-19 pandemic and provides an overview of how Africa's economy is being impacted by this new disease. It highlights the impacts on GDP growth and economic sectors. It provides recommendations of what should be done by African governments to address the problem. It concludes by calling on African governments to consider the socio-economic circumstances of their people when responding and mitigating the risk of COVID-19 and to carefully calculate and consider the risks posed via three main economic channels—demand, supply, and finance—which could have a serious impact on ordinary citizens in Africa.**

## I. Introduction

Since the rise of globalisation, the world has become more closely connected and people can easily interact with each other without facing any serious barriers. This has been both beneficial and detrimental to the social, political, and economic sphere as far as the welfare of people is concerned. The free movement of people, goods, and services brought about by globalisation has stimulated socio-economic development, but it has also become a channel for the spread of diseases. As a result, because of the technological developments associated with globalisation, an outbreak such as COVID-19 has turned into a major pandemic that affects people around the world regardless of their geographical location.

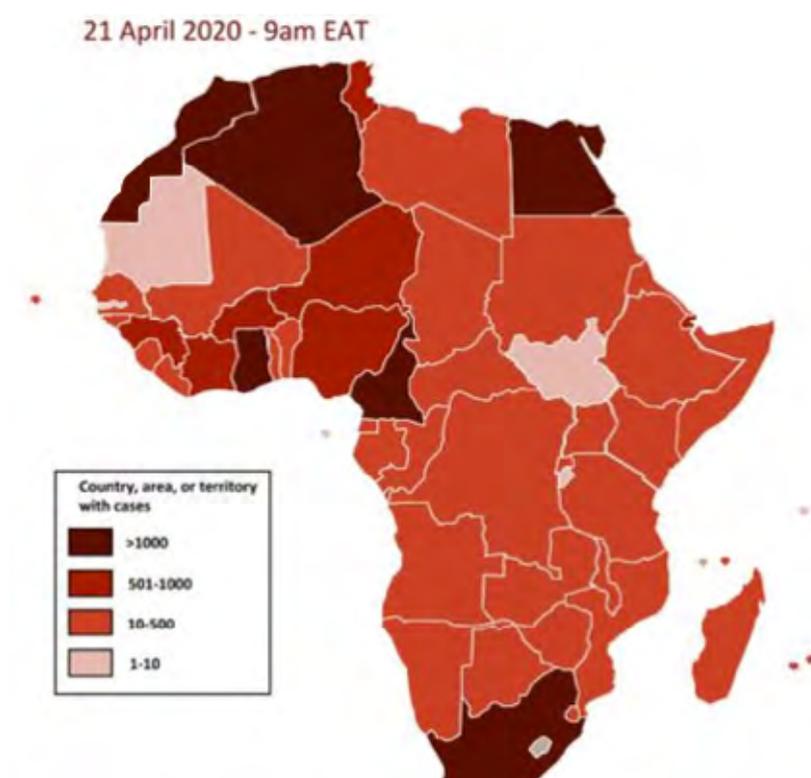
According to Lee (2003), globalisation is defined as the “changing nature of human interaction across a wide range of spheres including economic, political, social, technological, and environmental... The process of change can be described as globalising in the sense that the boundaries of various kinds are becoming eroded”. Lee (2003) further noted that the erosion (resulting from globalisation) can be seen to be occurring along three dimensions: spatial, temporal, and cognitive. Moreover, Saker et al (2004), pointed out that globalisation is driven and constrained by several forces: economic processes, technological developments, political influences, cultural and value systems, and social and natural environmental factors. These varied forces, as part of the processes of globalisation, impact directly or indirectly on health at a number of different levels (Saker et al, 2004). Thus, it is fair to assert that globalisation, which made free movement of people from different cities, countries, and continents possible, is the main enabler of the spread of COVID-19 around the world. This is simply because technological advancement, which is one of the main forces for globalisation, has made it easier for people to travel by land, sea, and air from one part of the world to another

without facing any obstacles. If travelers have contracted a disease, such as COVID-19, in city or country (A), they can easily transmit it to the previously non-infected city or country (B), if proper healthcare measures are not in place to prevent the spread to the general public.

The cure for COVID-19 is yet to be found, and its impact—in terms of infected people and deaths—will continue to grow until its spread is fully contained in Africa and other parts of the world. However, the measures used to contain the transmission of the disease since it was labeled a global pandemic by the World Health Organization<sup>1</sup>, and since the first case in Africa was recorded, are likely to create major economic shocks resulting from the shutting down of key economic sectors including tourism, air transportation, manufacturing, and trade.

Africa is the world's last frontier in the fight against extreme poverty. One in three Africans—422 million people—still live below the global poverty line (Hamel et al, 2019). The huge gap between the haves and have nots in Africa means the impact of COVID-19 on the economic sectors will push back the efforts made to reduce the income gap and will increase the number of people living below the global poverty line. UNDP (2020) stated, “the COVID-19 crisis threatens to disproportionately hit developing countries—Income losses are expected to exceed \$220 billion, and nearly half of all jobs in Africa could be lost.”

**Figure 1: African Union Member States Reporting COVID-19 Cases**



Source: African Union and Africa CDC

1 See World Health Organization (March 11, 2020), WHO Director-General's opening remarks at the media briefing on COVID-19 - 11 March 2020, (accessed March 30, 2020), available at <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>.

Figure 2 shows the scale of the problem of COVID-19 in Africa. It demonstrates why most countries across the continent will be economically affected as a result of the paralysis of essential economic sectors. Measures such as total lockdowns, and many strict mitigation actions taken by governments within and outside Africa to limit the mobility of people as a way to curb the spread of the virus, will severely limit the production of goods, provision of services, and trade activities. Extreme mitigation efforts—such as widespread cancellations of travel, meetings, and major events—will themselves contribute to the serious decline in economic activity (Barro et al, 2020).

## II. Literature Review

### The Repercussions of COVID-19 on the Economy and Key Sectors in Africa

According to Barro et al (2020), “the spread of the new coronavirus (COVID-19) in early 2020 led worldwide to declines in stock prices, increases in stock-price volatility, decrease in nominal interest rates, and likely to contractions of real economic activity, as reflected in real GDP.” As a consequence of this pandemic, global GDP growth is expected to contract sharply by 3% in 2020, and in a baseline scenario—which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support. (IMF, 2020).

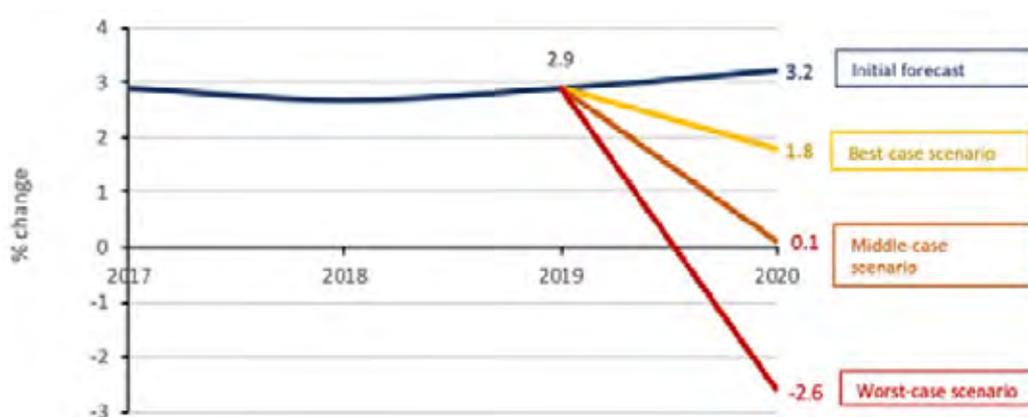
Therefore, as other parts of the world have already started to experience the socio-economic shocks, Africa, which has fewer recorded cases than other continents, is expected to face the same fate if this contagious disease is not managed to allow countries to return to normal economic activities. As noted by NedBank (2020), “the real economic impact is most visible in highly affected countries.” Most of these highly affected countries are outside Africa, but having fewer confirmed cases of COVID-19 compared to other regions does not mean that Africa can avoid the risk of the disease itself and the aftermath, particularly economic shocks. UNECA (2020) estimates that, in a best-case scenario, Africa’s average GDP growth will fall 1.4 percentage points, from 3.2 percent to 1.8 percent while in the worst-case scenario, Africa’s economy could contract by up to 2.6 percent in 2020. ECA Executive Secretary Vera Songwe said on March 13 that Africa’s interconnectedness with affected economies of the European Union, China, and the United States is causing ripple effects (ECA, 2020). She reiterated that the continent would need up to US\$10.6 billion in unanticipated increases in health spending to stop the virus from spreading, while revenue losses could lead to unsustainable debt. The unbudgeted increases in health spending are likely to disrupt other planned development activities because of the rerouting of funds to address the pandemic. This move could cause serious harm to economic growth and make the effort to end extreme poverty almost impossible. As stated by ECA (2020), COVID-19 could lead to Africa’s export revenues from fuels falling by about US\$101 billion in 2020. ECA (2020) noted that remittances and tourism are also being affected as the virus continues to spread worldwide. Other consequences are capital flight, domestic financial market tightening, a slow-down in investment, and hence job losses (ECA, 2020).

Unemployment is already a major concern in African countries since the public and the private sectors do not produce adequate jobs to cover the majority of the population,

especially new graduates. This means most people are forced to create alternative employment for themselves by establishing small businesses, engaging in agriculture, or other activities. If such activities are forced to close as a result of COVID-19, losses of jobs are likely to escalate. However, the majority of Africans who are based in rural settings depend on agriculture activities for subsistence. If farms—whether small, medium, or large—along with their labourers cease to operate, there will be another wave of job losses in the agricultural sector, which employs most Africans. More than 60% of people in sub-Saharan Africa are smallholder farmers, and about 23% of the GDP in the region comes from agriculture (Goedde et al, 2019). Arguably, the ceasing of agricultural activities for a long duration because of the COVID-19 pandemic means losses of that 60 % of jobs from the sector in the sub-Saharan Africa region. Also, unmanaged farms produce fewer crops than usual, leading to declines in the GDP of countries affected by less production in the agriculture sector, if the crisis is not contained soon enough. ECA (2020) argued that with nearly two-thirds of African countries being net importers of basic food, shortages could severely impact food availability and food security. Less production resulted from the cessation of agricultural activities could further lead the commodity prices of food in Africa to skyrocket. Moreover, heavily-indebted commodity exporters are likely to be on the front-line of debt-related economic stresses from the spread of the virus, particularly where foreign exchange reserves have been falling (UNCTAD, 2020).

These repercussions in key economic sectors in Africa will cause severe damage to the prosperity of its people and hinder efforts to achieve the continental development blueprint, Agenda 2063, as well as Agenda 2030. However, as noted by ECA (2020), African governments could review and revise their budgets to redirect spending towards the mitigation of the expected negative impacts on their economies of COVID-19. If the right steps are taken, Africa would still have a chance of saving its economy from the aftermath of COVID-19.

**Figure 2: Expected Drop in Growth From COVID-19 Impact, ECA Estimates**



Source: ECA estimates, 2020

### III. Recommendations

Based on the analysis provided above, it is evident that the COVID-19 pandemic has become a serious concern not only to Africa as a continent but also to the world in general. The socio-economic characteristics of Africa and other regions of the world vary extensively. Response measures to address this problem should thus be tailored to fit the socio-economic reality of the majority populations in Africa, where most live in rural settings with less access to important basic social services, and with limited access to information. From this, we make the following recommendations:

- To protect big and medium sectors and companies from closing down their operations because of the COVID-19 pandemic, governments should consider enforcing mandatory public-health control measures in these sectors. This will enable companies, markets, malls, and shops to continue operations while taking precautions to prevent infections, without disrupting their economic activities even more.
- Governments should strengthen their disaster management and pandemic disease response units by building the capacity of the available personnel and by hiring more qualified experts, and allocating sufficient budgets to respond to immediate global health emergencies. This will prevent disruption of the implementation of already-budgeted economic development activities as a result of rerouting budgets to cater for the emergency needs arising from outbreaks, pandemic, or any global health disasters.
- Governments should consider revisiting their economic development plans to identify higher-priority development projects as a way of utilising the available limited resources led by sudden reallocation of the existing planned budget. This will facilitate the recovery process and protect development implementation in the aftermath of socio-economic shocks, which compelled redirection of the already allocated budget to thwart COVID-19.
- Governments through their respective central banks should take measures to mitigate the negative effects arising from non-performing loans (NPLs), resulting from low growth, increased inflation, and significant growth in the unemployment rate, which may result from COVID-19. It should be noted that there is a strong link between NPLs and the performance of businesses because the poor performance of businesses leads to failure to repay loans, which end up in default. Protecting businesses means preventing NPLs from affecting the banking industry and the overall economy.
- Governments should utilise the available limited resources of local government authorities to reach the majority of the people at the grass-root level, including in villages, streets, wards, towns, districts, and other marginalised communities, with educational public announcements about how to protect themselves against infection, and how to deal with those who are already infected. These public announcements should take into consideration the usage of local languages or dialects to foster a common understanding of the pandemic among the general public.
- Community radio should be fully used to offer educational programmes that will raise awareness among local communities, and keep them informed about all measures taken by their governments, and how they can play a part in curbing COVID-19. This takes into account the majority of Africans who are based in rural settings where community radios have a wider reach.

- Under circumstances where lockdown to limit the mobility of the people is inevitable, governments should avoid taking the unnecessary extreme force to enforce the measure. This will prevent the violation of fundamental human rights by the state security apparatus. Moreover, where necessary, the provision of food to families that can not afford it for themselves should be ensured by governments. This will prevent another humanitarian disaster caused by famine, which would lead to more deaths while efforts are still directed towards curbing COVID-19.

## IV. Conclusion

African countries must now fight a common global enemy known as COVID-19, which threatens the welfare and prosperity of the people of the continent. However, the strategies adopted to curb this pandemic should not overlook the socio-economic aspects facing the majority of Africans who are living below the global poverty line. In this continent, where 70% percent of the world's poorest people live (Kharas et al, 2018), and where the gap between the haves and have nots is much bigger than elsewhere, adopting and duplicating all mitigation measures taken by other continents, where the gap between poor and rich is quite minimal, will be extremely challenging. Duplicated measures might end up creating other socio-economic problems for African society.

Therefore, African governments seeking to respond to and mitigate the risk of COVID-19 should bear in mind the socio-economic circumstances of their people. If they implement every approach to curb the pandemic without taking into account the local context, the measures are likely to backfire and set off other dangerous detrimental situations that might lead to social and economic uncertainties.

Moreover, COVID-19 might cause damage that leads to economic disruption through three main channels: demand, supply, and finance (UNCTAD, 2020). On the demand side, a combination of declining income, shifting sentiment (fear of contagion), and the absence of a vaccine can be expected to have a negative impact on private spending, particularly in the service sector, with tourism and entertainment being most affected, especially in connection with large public events and catering services (UNCTAD, 2020). Also, reduced working hours and possible layoffs will, other things being equal, reduce household spending and increase economic insecurity for those who do not have access to a social safety net (UNCTAD, 2020).

On the supply side, a sudden stop in manufacturing activity in the most-affected regions will cause bottlenecks in global value chains (UNCTAD, 2020). Such disruption will in turn trigger widespread factory closures for lack of intermediate inputs, even in zones still untouched by the virus and the consequences of supply-side disruption can, therefore, contaminate aggregate demand and threaten financial stability (UNCTAD, 2020).

In this regard, all measures to prevent the virus from spreading should also carefully take into account the risks posed to these three main economic channels: demand, supply, and finance, which may have a serious impact on ordinary citizens in Africa. It is isolation policies, not infection rates, that determine the economic impact (Oxford Economics, 2020). And in this scenario, isolation policies include measures such as lockdowns, widespread restrictions on labour mobility, cancellation of meetings and major gatherings, and limits on travel into, out of and within African countries, to reduce transmissions and flatten the curve.

## V. References

- Barro, R., Ursua, J., and Weng, J., (2020), The coronavirus and the Great Influenza epidemic: Lessons from the “Spanish Flu” for the coronavirus’ potential effects on mortality and economic activity. AEI Economics Working Paper 2020-02.
- ECA (13th March 2020), ECA estimates the billions worth of losses in Africa due to COVID-19 impact, (accessed 1st April 2020), <https://www.uneca.org/stories/eca-estimates-billions-worth-losses-africa-due-covid-19-impact>
- ECA (13th March 2020), Economic Impact of the COVID-19 on Africa, available at [https://www.uneca.org/sites/default/files/uploaded-documents/stories/eca\\_analysis\\_-\\_covid-19\\_macro-economic-effects.pdf](https://www.uneca.org/sites/default/files/uploaded-documents/stories/eca_analysis_-_covid-19_macro-economic-effects.pdf)
- Goedde, L., Ooko-Ombaka, A., et al (February 2019), Winning in Africa’s Agricultural Markets, Mckinsey & Company, (accessed on 2nd April 2020), <https://www.mckinsey.com/industries/agriculture/our-insights/winning-in-africas-agricultural-market>
- Hamel, K., Tong, B., and Hofer, M., (28th March 2019), Poverty in Africa is now falling but not fast enough. Brookings, (accessed on 30th March 2020), <https://www.brookings.edu/blog/future-development/2019/03/28/poverty-in-africa-is-now-falling-but-not-fast-enough/>
- IMF (April 2020), The Great Lockdown, World Economic Outlook
- Kharas, H., Hamel, K., and Hofer, M., (13th December 2018), Rethinking Global Poverty Reduction in 2019, (accessed on 1st April 2020), <https://www.brookings.edu/blog/future-development/2018/12/13/rethinking-global-poverty-reduction-in-2019/>
- Lee, K., Globalisation, and health, an introduction. London, Palgrave Macmillan, 2003.
- Nedbank (12th March 2020), COVID-19: The Economic Consequences. South Africa, Economic Commentary.
- Saker, L., Lee, K., Cannito, B., et al (2004), Globalisation and infectious diseases: A review of the linkages, UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases (TDR).
- UNDP (30th March 2020), COVID-19: Looming crisis in developing countries threatens to devastate economies and ramp up inequality, (accessed on 30th March 2020), <https://www.jointsdgfund.org/article/covid-19-looming-crisis-developing-countries-threatens-devastate-economies-and-ramp>
- UNCTAD (9th March 2020), The Coronavirus Shock: A story of Another global crisis foretold and what policymakers should be doing about it, UNCTAD/GDS/INF/2020/1.
- UNECA (April 2020), COVID-19 in Africa: Protecting Lives and Economies,
- WHO (11th March 2020), WHO Director-General’s opening remarks at the media briefing on COVID-19 - 11 March 2020, (accessed on 30th March 2020), <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>

## Figures

- Figure 1: Source: African Union and Africa CDC
- Figure 2: Source: ECA estimates, 2020

## About the author, **Seleman Yusuph Kitenge**

Seleman Yusuph Kitenge is a veteran of a decade of campaigning on youth development, peace, and security. With the support of the European Commission (EC), Seleman is part of the European Commission - One Young World Peace Ambassador programme which promotes and accelerates young leaders in preventing and countering violent extremism, peace-building efforts, and conflict resolution. He currently serves as a Speech Writer (AUYV) in the Office of the CEO of the African Union Development Agency. He is a recipient of a plethora of national, regional, and international recognition for his engagements on development issues in Tanzania, Africa, and the global level.

## About **Policy Center for the New South**

Policy Center for the New South, formerly OCP Policy Center, is a Moroccan policy-oriented think tank based in Rabat, Morocco, striving to promote knowledge sharing and to contribute to an enriched reflection on key economic and international relations issues. By offering a southern perspective on major regional and global strategic challenges facing developing and emerging countries, the Policy Center for the New South aims to provide a meaningful policy-making contribution through its four research programs: Agriculture, Environment and Food Security, Economic and Social Development, Commodity Economics and Finance, Geopolitics and International Relations.

The views expressed in this publication are the views of the author.



### **Policy Center for the New South**

Suncity Complex, Building C, Av. Addolb, Albortokal Street,  
Hay Riad, Rabat, Maroc.

Email : [contact@policycenter.ma](mailto:contact@policycenter.ma)

Phone : +212 (0) 537 54 04 04 / Fax : +212 (0) 537 71 31 54

Website : [www.policycenter.ma](http://www.policycenter.ma)