



COVID-19 PANDEMIC

HOW AFRICAN LEADERS CAN WIN THE WAR

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HOW CAN WE WIN THIS WAR?

GROUND ZERO

The Novel Corona virus (COVID-19) Pandemic has taken the world by storm and brought it to a complete standstill within a matter of weeks. The world is now facing not just an unprecedented health crisis but also potentially a financial and economic crisis greater than that of any post war era.

This pandemic has disrupted society in a manner that most people alive will not have previously witnessed. People have been separated from their workplaces, friends and in some cases, their families for long periods of time. Healthcare systems are stretched to limits and many businesses have shut down completely with public places emptied across many major cities all over the world. It is clear that we are at war, just not as we know it. This time, we are not fighting against each other as we may have done in the past and in place of the military, only healthcare workers and other essential services workers are the ones on the front line.

The pandemic will have serious implications for the economic outlook for African countries. For instance, the demand side of oil markets have been impacted from the shutdown of economic activities in China. As a result, we are seeing oil prices (Brent) fall to as low as \$23 per barrel (an 18-year low). It is important to note that the oil price situation is made worse by the ongoing rift between Saudi Arabia and Russia. This development poses significant challenges for the African economies especially the large oil dependent economies like Nigeria and Angola. However, we are also expecting to see a sharp decline in the price of other commodities in the short to medium term, all of which increases the likelihood of a reversal of some of the gains the continent has made after the commodity crisis from a few years ago.

Ground Zero
TODAY

Prior to the onset of the crisis, the economic outlook for African countries had been positive with several economists projecting that the recent recovery will continue. Afreximbank, in a recent report, indicated that “African economies are expected to strengthen in the near term and achieve an average growth rate of 3.7% in 2020.” This projection was in line with that made by the IMF and other similar institutions. Although it is not clear when the Corona virus crisis will be over, several economists are already revising their projections. McKinsey, for instance, is predicting a decline of between 3 to 7 percentage points, depending on the scenario that eventually plays out and the effectiveness of the public health and fiscal measures being put in place now .

For African countries, just like other countries around the world, the immediate choice of action is limited. The pressing need is to contain the spread of the disease and then to provide adequate care for the sick. However, it is important for African leaders to already begin charting a pathway for the post COVID-19 period. In the rest of this article, we look at the ongoing actions from various business leaders and governments on the continent, some of the expected challenges and policy recommendations to ensure Africa not only prepares better for another pandemic but is also able to take any advantages of the opportunities that may arise as a result of the pandemic.

THE FIGHT BACK

In most African countries, COVID-19 response efforts are in full operation ranging from travel bans to complete economic shutdown in order to curtail the spread of the virus and to flatten the curve as it sweeps through major African cities like Cairo, Lagos, Abidjan, Kigali and Johannesburg. With the World Health Organisation (WHO) directing affairs, a series of public health measures have also been deployed such as compulsory isolation and quarantine to reduce the spread and instill the seriousness of the situation in the largely young and very vibrant population in the African cities. African business leaders have also stepped up to the mark by making large donations to the COVID-19 “fight back” war chest with donations of a minimum of NGN1,000,000,000 (US\$2,777,777[1]) each by Aliko Dangote (Africa’s richest man), Femi Otedola, Modupe Alakija and others, towards the N120,000,000,000 (US\$333,333,333) target set by the Central Bank of Nigeria to fight COVID-19 in Nigeria.

Business continuity plans have been triggered and African business leaders who traditionally were averse to remote working of staff are now not only leading virtual meetings but are also getting used to latest technologies in Cloud Conferencing and Collaboration tools. School children have also now moved to virtual learning with all schools shutdown but school curriculum still in progress. All these are going on despite the

[1] 1USD =NGN360

The Fight Back

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limited internet penetration cross the continent. In Senegal, school lessons are being delivered through the television.

Grinding down a vibrant African economy has not and will not be easy. Keeping the very dynamic large young African workforce in lockdown will be even harder as the socio-economic palliatives put in place starts to wane in the face of prolonged isolation orders. Governments will be tested and so will trade and businesses over this crucial period as they try to balance the fight against COVID-19 and treating the sick and infected on one hand and the socio-economic pains of the people on the other. Government and Business leaders must therefore in this period show the resolve needed to see Africa through this whilst carrying out a delicate balancing of fighting Corona Virus and easing the pain of the people.

To cushion the effect of the Corona virus pandemic on the African continent, institutions such as Afreximbank and the African Development Bank (AfDB) have recently put in place financial impact cushions to help soften the blows with Afreximbank making available \$3,000,000,000 (US dollars) and AfDB raising the same amount through the sale of Social Bond to investors.

THE ROADBLOCK

The shutdown of economic activities as part of the public health measures to enforce social distancing is absolutely necessary at this time. This will however have implications for many of the countries that are already fiscally constrained. At the same time that export revenues are drying up, countries are having to deploy available resources

towards the fight back by increasing fiscal spending to combat spread of the disease and also kick starting the economy. Many of these countries will have to increase borrowing to plug the fiscal gap. As is usually the case, the global markets will probably not be accessible to many African countries at this time. Many will have to resort to the Bretton Woods Institutions, and we have already seen South Africa and Ghana bracing up to make the request.

It suffices to say that the resilience of Africa as a whole will be tested through this period as businesses and governments find a way to collaborate to keep liquidity flowing in the system and make necessary fiscal and monetary adjustments necessary to navigate the current financial crisis in the short term whilst keeping an eye on the longer term recovery with broader plans.

The continent's heavy dependence on commodities has always been, and remains a challenge along with the long history of countries on the continent not trading with their neighbours. The launch of the African Continental Free Trade Area (AfCFTA) is primarily to address the latter by improving intra-African trade and investments. The African Union (AU) has made significant progress on the AfCFTA roadmap with operationalisation set for this July. Furthermore, many of the countries have also started making significant investments in non-commodity sectors

The RoadBlock

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to enable them diversify away from commodities.

One immediate outcome of the crisis is a pullback of investments in capital projects in a continent that already has very limited infrastructure. The African Development Bank estimates that Africa's infrastructure needs are between \$130 and \$170 billion per year; however, financing for African infrastructure currently falls short by between \$68 billion and \$108 billion per year. The poor infrastructure on the continent is likely to make it more difficult for African countries to emerge quickly from the ensuing crisis.

The one thing that may well stand Africa in good stead during this fight back is our long history and recent experience of fighting disease and outbreaks on the continent. The knowledge and intelligence gathered during the Ebola outbreak and other health related crises may yet prove to be the game changer in this war against COVID-19

THE AFTERMATH

Returning the economy and businesses to "as-usual" status will not be an easy feat to achieve post COVID-19. China, Africa's largest trading partner is already ahead of the curve and on the road to some degree of economic and business recovery, as the rest of the global economy comes out of their respective COVID-19 apocalypse. We expect a staggered return to full global economic activity and business participation. The "needs" of the future will

be determined by the parts of the supply chain which require urgent attention, and these will ultimately draw in requisite investments.

Expectedly, there will be several such short-term reactions to the ever-changing landscape. The most visionary among us will however have their eyes firmly on the "new normal" and measures that make it easier for us to adapt to the new situation when we eventually arrive there. In this new era, any such change is likely to be underpinned by technology. As difficult as things may appear at the moment, there have also been winners during this ongoing crisis. As workplaces became virtual, tech companies like Zoom have benefited immensely in customer acquisition. It is reported that Zoom has added more video conferencing users this year (January to March) than in all of 2019 thanks to COVID-19. As a result, the company's share price has surged. Is this a sign of things to come? Will African companies be more amenable to their staff working from home? In the same vein, will Telemedicine become the norm, particularly in African countries?

Pandemics, like other major global shocks, can catalyse social change. It will be unimaginable that a global crisis of this magnitude caused by the Covid-19 and its effects on the world will not lead to a seismic shift in our behaviour and values as a people. The far-reaching impact to how we live, work, trade, travel, socialise and even our personal hygiene cannot be understated. New ways of thinking and doing things will no doubt be formed as

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people find their own answers to hard questions posed to them in these current circumstances.

And one can imagine the questions going through the minds of sociologists at this time? Will social distancing become the norm? Will we see a surge in spending on public health? Will governments deploy technology in a more pervasive way to prevent spread of any such diseases in the future (as China and Singapore reportedly have done successfully with COVID-19)?

These questions are all valid and governments, businesses and entrepreneurs around the world and in Africa must see this as an opportunity to lead the way.

The Healthcare system and infrastructure in Africa have been under the spotlight yet again as it was a few years ago during the Ebola outbreak. However, never has it been under this much scrutiny as COVID-19 though not as deadly as the Ebola steals the world stage and magnifies the tiniest inadequacies and weaknesses everywhere it can find. In addition, Ebola was limited to only a few countries. The healthcare sector is expected to begin to draw great interest and create opportunities as Africans continue to innovate through technology such as Telemedicine and the use of drones to distribute critical medicines and vaccines over the last mile. Rwanda is already leading the way here. A Silicon Valley robotics company teamed up with the Rwandan health

ministry and has considerably improved the delivery of vital medicines and blood to hospitals in remote areas, using drones. In the developed countries, commercial drone delivery is still mostly at the testing stage, hampered by busy skies and strict regulations on airspace.

Success in the new world will no doubt depend on the ability of businesses to adapt and innovate through this period. This will also be fuelled by the rate of adoption of technology to make businesses more resilient, able to recover and enable continuity in crises periods. Policies will need to be reviewed and revised to update and include the necessary processes derived from the lessons learnt during this period.

“The young African gig economy is also expected to go through significant change post COVID-19 as the sector finds its own response to the pandemic. The SMEs who have always led the way with innovation and also been the backbone of the African economy will no doubt have a major role to play in this new era”

REAPING THE SPOILS (OF WAR)

Post COVID-19, the most important policy reforms should focus on two key areas. Firstly, to ensure that Africa is better prepared for another pandemic in the future. Secondly, African governments should prioritise investments in sectors that will ensure Africa stays ahead of the curve in the age of the new normal. This is



Reaping The Spoils (of War)

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critically important given that experts are warning that the world should expect more pandemics in the future.

While global businesses and governments are taking stock and doing their “lessons learnt” in the aftermath of the COVID-19 pandemic, African business and government leaders must take bold steps to position Africa at the forefront of any future fight against another outbreak whilst at the same time securing the financial future of Africans through deliberate policy choices. African leaders will need to take stock to see how a global event of this scale can be jointly coordinated and tackled in collaboration with other world leaders before it becomes the global crisis which we now have on our hands.

The African Union's (AU) intervention in the Ebola crisis was a game changer and very commendable. In view of experts now warning that there may be more pandemic in the future, the AU should consider setting up an ongoing Pandemic Response arrangement that will ensure Africa stays ahead of any future pandemics but also ensures our response is coordinated at a continental level and can be triggered quickly when needed. The current measures being put in place to battle the pandemic can also benefit from the knowledge gleaned for the AU's successful fight against Ebola.

At the national level, countries must consider increasing investments in the public health sector and also instituting public health reforms that will facilitate innovation in the sector. The health budget in many African countries is currently inadequate and needs to be greatly improved. African policy makers at all levels must ensure that data from the current pandemic is meticulously collected and analysed to improve our understanding of the virus but also our understanding of pandemics and their effects on our specific situations.

Africa's ability to meticulously collect and augment all the medical, economic, financial and behavioural data and metrics produced during this pandemic into learnings and repurposing it towards a proactive, scientific and systemic use will most certainly keep Africa ahead of the game.

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