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ECONOMICAL SITUATION IN SUB-SAHARAN AFRICAN COUNTRIES

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Abstract What began as a single COVID-19 case in China in late 2019 quickly spread around the globe in the first quarter of 2020. While the impact on the world's health systems is unknown, the economic toll remains also remains unknown as the world grapples with an unprecedented global recession. This paper estimates that COVID-19 will drag African economies into a fall of about 2,1% in GDP, with smaller economies facing contraction of up to 8%. The contraction is mainly a result of export adjustments affecting primary commodity exporters, and the attendant losses to tax revenue which reduce the capacity of government to extend the public services necessary to respond to the crisis.

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Introduction

According to a World Bank report, Sub-Saharan African countries may endure their first recession in 25 years. The coronavirus, which has spread to African countries, has played a role in this, but it is also hurting Africa's primary trading partners. The economies of the region are expected to shrink by up to 5.1 percent.

According to a World Bank report, the health, economic, and social consequences are expected to cost the Sub-Saharan African region between $37 million and $79 million in lost productivity in 2020. Agricultural productivity has dropped, weakening supply networks, worsening employment prospects, and reflecting a drop in remittances. (Mandel A., 10.04.2020,).

Sub-Saharan Africa may need up to $100 bn worth of aid to boost post-pandemic economies. It should include a temporary suspension of debt repayments valued at $44 billion, says the World Bank going to the aid of African country leaders such as Ethiopian Prime Minister Abiy Ahmed, who recently argued for such a step.

The report predicts that the economies of oil and resource exporting countries such as Nigeria and Angola will be hardest affected by the pandemic. The crisis will also be severe for South Africa (Table 1). Due to a decline in agricultural productivity and a decrease in imports, the region is also facing a significant food crisis. To put it another way, several African countries may face large-scale famine once more.

Table 1: Consequences of COVID-19 in Africa

	First order effects	Second order effects	Third order effects
Economical	Decrease in GDP Deterioration of trade balance Loss of jobs and livelihoods Increased health-related expenditure	Collapse of national supply systems Deterioration of economic activity Increase in informal activity	Recession Debt crisis Financial problems
Social	Loss of life Reduced social expenditure Disruption of social services	Widespread restrictions Social discontent Collapse of social services	Increase in social inequality Disruption of personal development Loss of loved ones Harassment Social unrest
Political	Politicised decisions	Reduced trust Politicisation of law enforcement	Political unrest Political riots

Source: Grace Gondwe, Assessing the Impact of COVID-19 on Africa's Economic Development, United Nations Conference on Trade and Development, UNCTAD/ALDC/MISC/2020/3, July 2020.

It is suggested that African countries concentrate on improving their health systems and developing social policies to protect people working in the informal economy who lack access to any form of social security.

The spread of COVID-19 in sub-Saharan Africa highlighted the weaknesses of local health systems and the limited capacity of states to take anti-crisis action on their own. In addition, it was difficult to expect material assistance from developed countries, which were themselves struggling with a shortage of equipment, resources and experience to deal with the pandemic (they provided support such as debt relief) (Gondwe, 2020).

These circumstances have compelled a rethinking of how scarce resources are used, as well as a demand for quick implementation of local, low-cost solutions. As a result, governments saw new technology, engineering, and research and development sectors as having the potential to fill shortages, reduce the risk of infection, and provide substitutes for costly imported resources.

African inventors' primary goal is to improve the living standards of local communities, so simple solutions that make a noticeable difference predominate. The production of essential protective and medical materials using 3D printing was the first area that arose spontaneously in many places. This has provided respite in Senegal for example.

The need to avoid cash, the circulation of which promotes the spread of the virus, has given a boost to the mobile payments market. The largest coverage was in Kenya. Due to the pandemic in Ghana, Kenya, Côte d'Ivoire, Mozambique, Uganda and Zambia, the authorities required mobile payment providers to temporarily remove or reduce commissions, especially on small transactions. At the same time, the authorities simplified access to such payments, e.g., in Ghana they removed the requirement for additional registration before opening an account.

The pandemic has determined the use of e-powered cards in Sudan's newly launched social benefits programme, which will cover 80% of families. In turn, the acceleration of the digitalisation of tax payments in the Republic of Congo increases budget revenues and transparency of public finances and will consequently make it more difficult to embezzle and export state funds abroad, among other things (*The African Union,* 2020).

Local companies are re-branding themselves to help water-scarce metropolises cope with increased sanitation needs. In Sierra Leone's capital Freetown, the company Finic, formerly an agricultural machinery manufacturer, has set up a network of publicly accessible street sanitation points, while in Harare, Zimbabwe's capital, using an app, contactless waste collection and decontamination services can be ordered (Gondwe, 2020).

IT solutions to facilitate contact tracing in the event of infection are also developing. In Kenya, an application has been developed for self-tagging by passengers on the popular minibuses there, making it easier to identify those with whom an infected person has had contact. There is also a growing market for drone transport, used to deliver medical supplies to hard-to-reach locations. In Ghana, these are run by an Australian company and have succeeded in reducing the average delivery time from 3 hours to 12 minutes. The outbreak of the pandemic has led to a rapid increase in demand for these services and for the expertise of local staff, for example in Malawi (*Bartkiewicza, 2020).*

Since the outbreak of the pandemic, African innovation platforms, as well as the WHO Regional Office for Africa, have held competitions and awarded funds to engineers and businesses to develop solutions to aid in the pandemic's fight. These have aided in the mobilization of the scientific community as well as the sharing of knowledge.

Table 2: Regional and continental projects to reduce the impact of coronavirus

Country/institution	Government efforts to mitigate the impact of the coronavirus on national economies
African Union	Consent to the establishment of a continental fund against COVID-19, which includes member states. The Bureau agreed to provide US$12.5 million in seed funding immediately. Member States, the international community and philanthropic stakeholders were persuaded to contribute to this fund and allocate US$4.5 million to increase the capacity of the African Centres for Disease Control and Prevention. Call on the international community to encourage open trade corridors, especially for pharmaceuticals and other health care resources. Call for the G20 to immediately provide African countries with medical equipment, test kits, protective gear to fight the COVID-19 pandemic and effective stimulus packages including concessions and deferred payments. It appealed to the World Bank, the International Monetary Fund, the African Development Bank and other regional institutions to use all available instruments in their arsenal to mitigate the scourge and provide relief to key sectors of African economies and communities.

African Ministers of Finance	The statement, jointly signed by a number of Africa's finance ministers, announced that the continent needs $100 billion to defend its health systems and counter the economic shock caused by the pandemic.
African Development Bank	ADB has raised $3 billion from a three-year bond to help mitigate the economic and social impact of the Covid-19 pandemic on African livelihoods and economies. The Fight Covid-19 social bond, with a three-year maturity, has attracted interest from central banks and official institutions, asset managers, including socially responsible investors, with bids exceeding $4.6 billion.
African Export and Import Bank	It announced $3 billion to help its member countries survive the economic and health impacts of Covid-19. It will provide financial support to more than 50 countries through direct financing, lines of credit, guarantees, currency swaps and other similar instruments.
Economic and Monetary Committee of Central Africa	Finance ministers have taken the following actions: With regard to monetary policy and the financial system, it was decided to use a pool of $152,345 million made available to the Development Bank of Central African States (BDEAC) by the Central Bank of African States (BEAC) to finance public projects to fight the Covid-19 pandemic and strengthen national health systems. They also recommended that the states collectively bargain and obtain cancellation of all their external debts to provide them with budget margins to cope simultaneously with the coronavirus pandemic and to raise savings to an appropriate level.
Central Bank of West African States	Increase the weekly allocation to countries' central banks from $680 million to $9 billion to ensure continued financing of businesses in member states; Allocation of US$50 million to the West African Development Bank's (BOAD) subsidy fund to enable it to provide an interest rate subsidy and increase the amount of soft loans it will provide to governments to finance investment and equipment spending in the fight against the pandemic.

Source: UNDP Regional Stabilisation Programme for the Lake Chad Basin, COVID-19 and Stabilisation: Governance Implications for the Lake Chad Basin Region, Situational Brief, July 2020.

Perspectives in Africa

The first recession in Africa in 20 years will be felt most acutely in the poorest countries, where citizens spend all of their current income on consumption and have no savings. Small-scale manufacturing, services, and trade in the area will be harmed. The development of new technologies will not be sufficient to restore growth to countries.

However, the pandemic has spurred innovation and made governments aware of the community of interest with the research sector, including universities. A collaborative model is being established, in which governments procure and guarantee the implementation of socially useful solutions, and universities develop them. In the long term, the greater favour of states for research and development of new technologies will encourage both the re-branding of individuals and the structural transformation of economies.

Above all, it will allow for faster industrialisation and the related manufacturing of processed goods, the lack of which necessitates the purchase of more expensive completed goods, which is currently limited due to, among other things, trade with China. The launch of a low-cost coronavirus test production line by a Senegalese branch of a French institute is symbolic. The psychological impact of domestic industry investments would be bolstered by the projected completion in 2021 of one of the world's largest refineries in Nigeria, ensuring the country's self-sufficiency in petrol production.

Conclusion

Many of the current remedies, such as those that improve city logistics and sanitation, will be supported by international entities once the pandemic is over. The importance and number of regional and worldwide programs supporting the implementation of novel solutions, such as those produced by African technical university PhD students, will grow. By developing relationships with local producers or competition committees, as well as universities interested in research collaboration, Polish enterprises can also benefit from the growing need for innovations.

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