The African continent looks set to witness a

WAVEFORM OF REGULATORY REFORM

Africa's response to the coronavirus pandemic was quicker and more comprehensive than any other region globally. As COVID-19 spreads, the majority of African countries have no option but to prioritise economic needs over the health implications of the virus.

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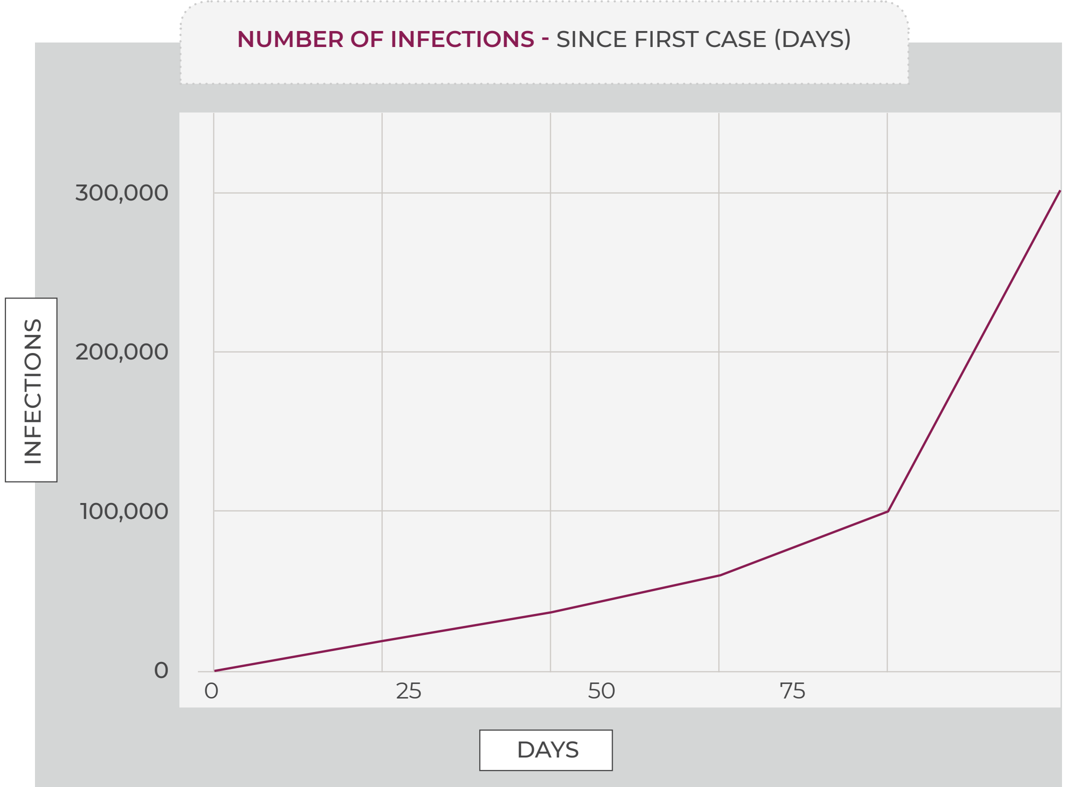


Since May, nations have been lifting mobility restrictions in order to resume economic activity. Case numbers have been climbing: it took 100 days to reach the first 100,000 cases, and less than 20 days for cases to jump to 200,000. Cases have since been rising at a rate of 10,000 per day to reach 303,000 by 22 June.

As with Europe, not all African nations have been equally affected. Mauritius is worthy of note. By 15 June restrictions had been lifted and the nation's famous white sandy beaches and blue lagoons were once again open to the public. Mauritius is among five nations where levels of testing have been the highest per capita on the continent. The others are South Africa, Djibouti, Seychelles and Cabo Verde.

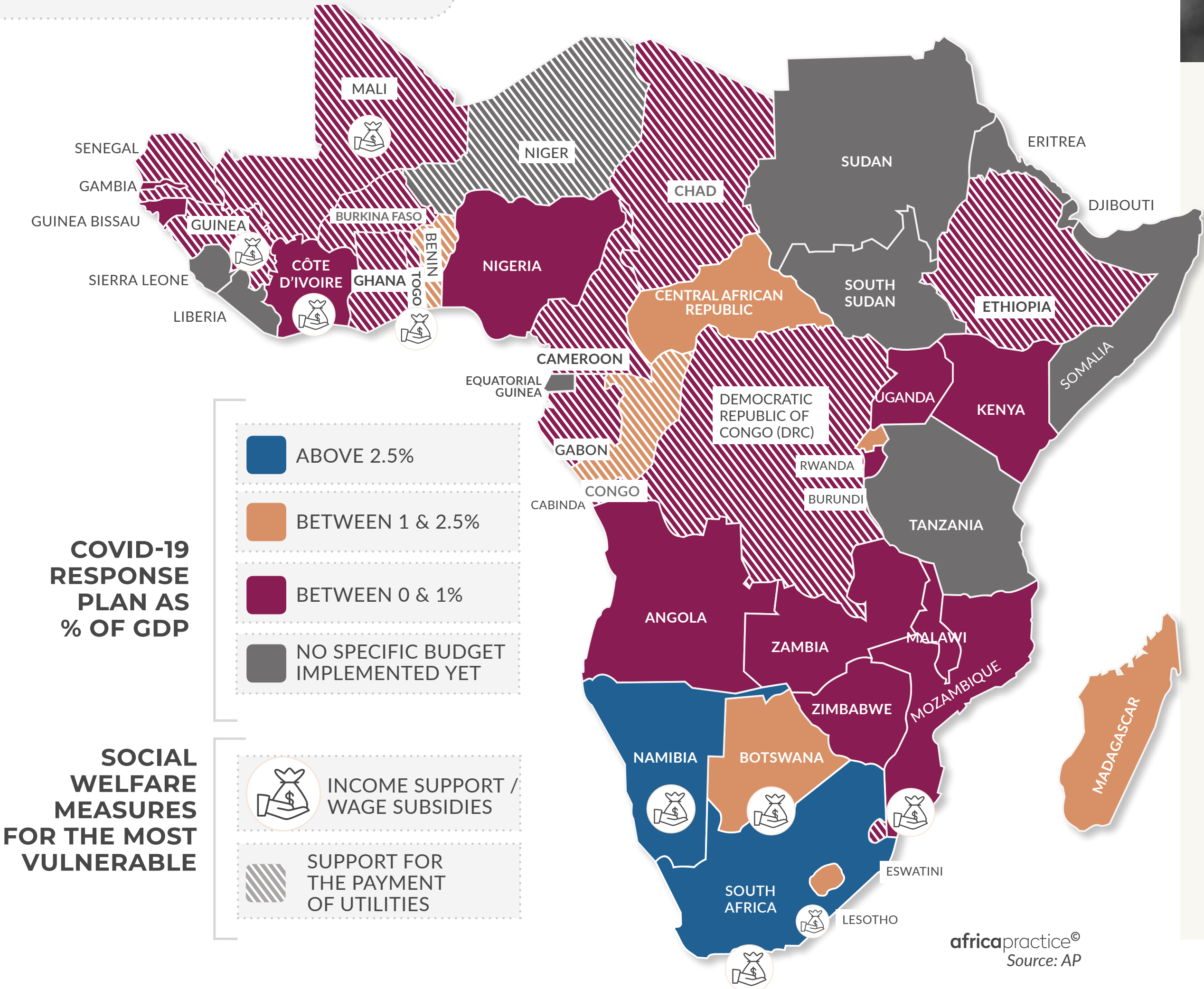
The immediate policy priority for all governments has been to ramp up health capacity and spending to save lives and contain the virus outbreak. Increasing the number of tests has featured prominently in most strategies. So too has securing medical equipment and PPE. On 19 June, President Cyril Ramaphosa, in his capacity as Chairman of the African Union, launched the African Medical Supplies Platform (AMSP) - to enable AU member states to purchase certified medical equipment, such as diagnostic kits, personal protective equipment and clinical management devices, with increased cost effectiveness and volume aggregation as well as quota management.

There has been a lot of speculation as to whether relatively low infection rates in Africa are the result of demographics, prior experience fighting infectious disease, population density or other factors. No one yet knows; and with case numbers now climbing fast, no one dares speculate.

What appears to matter most are the actions of governments in aiding citizens to avoid risky situations and thereby reduce transmission levels.

ECONOMIC DEVASTATION

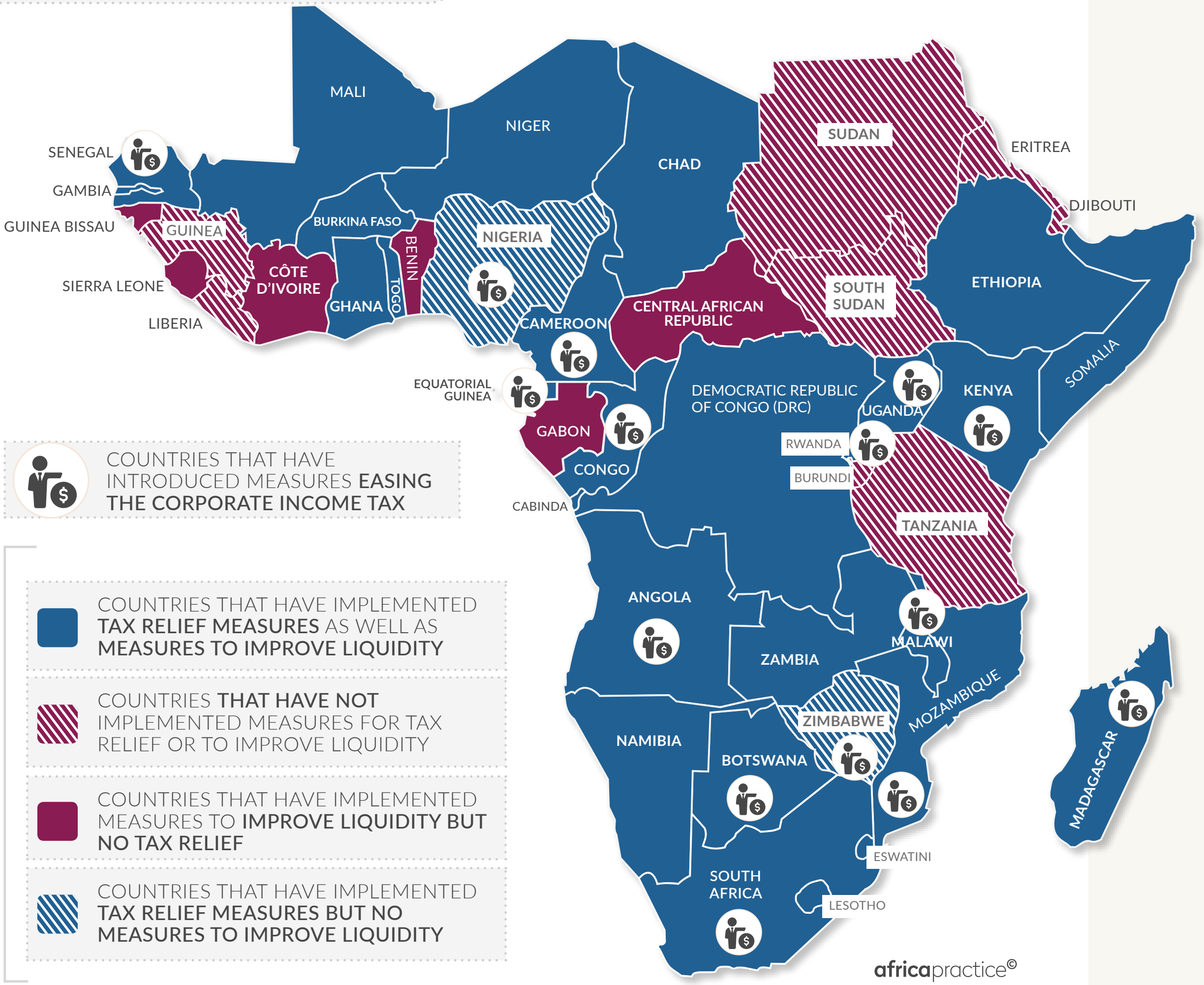
COVID-19 **RESPONSE PLANS**
ACROSS SUB-SAHARAN AFRICA



Economic devastation has been universal, with tourism, hospitality and aviation grinding to a halt and other sectors such as mining, FMCG and agribusiness all impacted by trade disruptions and government restrictions. Car sales have collapsed, hitting automotive sectors in South Africa and Morocco particularly hard. Among notable victims is Kenya's horticulture sector, deprived of export markets to Europe because of international travel restrictions. Small traders, the backbone of many economies, have not been spared, with incomes falling by 80% since the introduction of lockdown measures in many cases. Meanwhile, acute financial market stress, commodity price volatility, including very low oil prices, compounded by currency weakness, have dramatically reduced governments' revenues.

The IMF forecasts that growth in sub-Saharan Africa will drop to - 1.6% in 2020, the lowest level on record.

COVID-19 **TAX RELIEF** MEASURES ACROSS SUB-SAHARAN AFRICA



Source: AP

Aside from efforts to ramp up health capacity, many African governments have also been offering fiscal policy support to aid economic recovery.

Ghana became the first sub-Saharan African country to cut interest rates, followed by Kenya, where the central bank has worked with commercial banks to provide relief to individual and corporate borrowers.

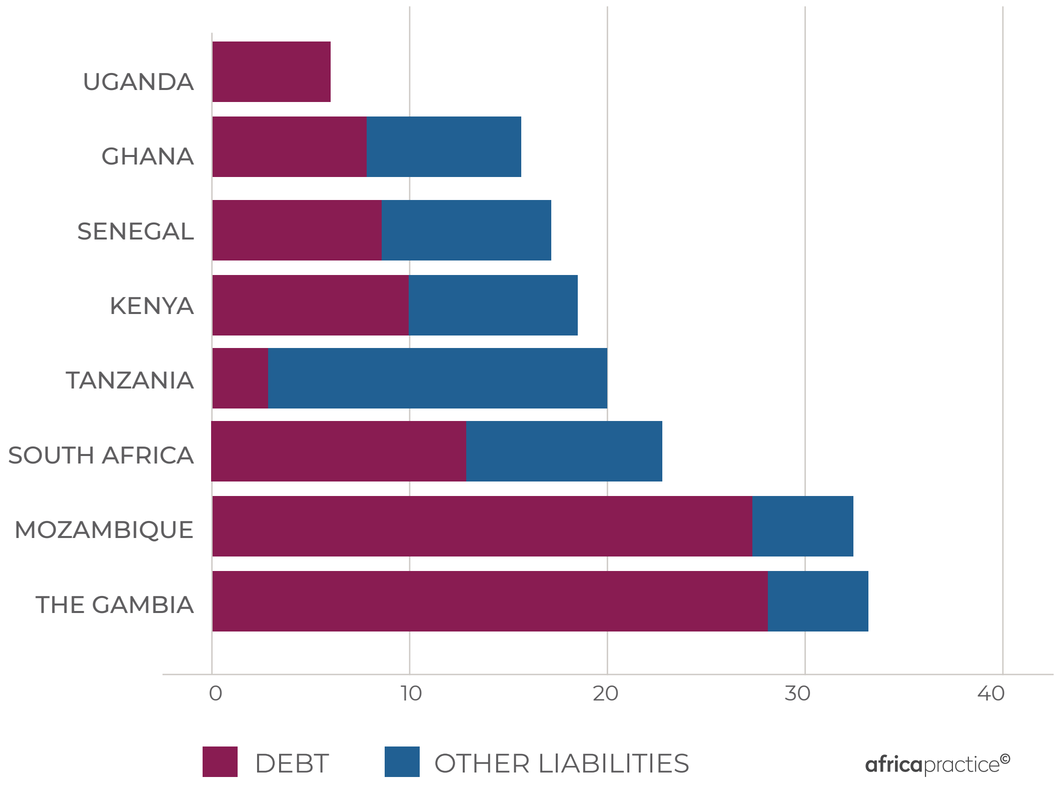
Across sub-Saharan Africa, 28 countries implemented tax relief measures, while 16 have adapted their regulations to encourage mobile money transactions.

In Togo, the government has introduced Novissi, a digital cash transfer program that sends funds to citizens through mobile money. According to Anit Mukherjee, policy fellow at the Center for Global Development and co-author of the centre's recent report on state-powered digital payments schemes, as of mid-April, over 1.1 million Togolese citizens - 13% of the population - had registered for Novissi with around 450,000 people (65% of whom were women) proving eligible beneficiaries and receiving up to 35% of the minimum wage.

BALANCING THE BOOKS

STATE-OWNED ENTERPRISES DEBT & LIABILITIES

SELECTED SSA SOE LIABILITIES (PERCENTAGE OF GDP)



In the medium term African markets must introduce measures to stimulate growth while also managing fiscal deficits. Balancing the impetus for localisation and import substitution with the need to grow regional and continental trade, will challenge leaders. The two are not incompatible. Without greater regional trade, efforts to restore growth on the continent will be anaemic. Set to start in July 2020 but postponed to January 2021, the African Continental Free Trade Area (AfCFTA) will be a welcome stimulus for Africa's post-coronavirus recovery.

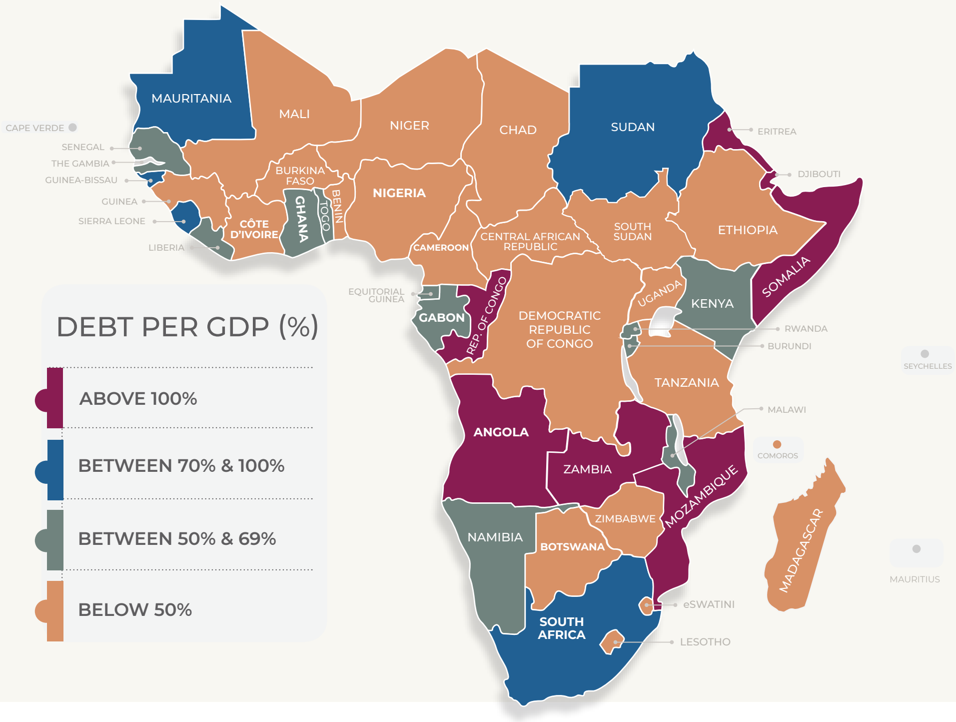
Tough choices lie ahead for African governments, including whether or not to withhold financial relief to established industries that offer little or no promise of long term sustainable growth, that offer little or no promise of long term sustainable growth, like fossil fuels or physical retailing, because of creative disruption from other quarters.

Choosing which industries to support and which to abandon in an effort to structurally transform an economy will test leadership in the coming months. Administrations will want to closely review the role of their parastatals and state-owned enterprises (SOEs). Some SOEs will be called on to assume ownership of ailing private companies, while other debt-laden ones will be quietly merged or abandoned.

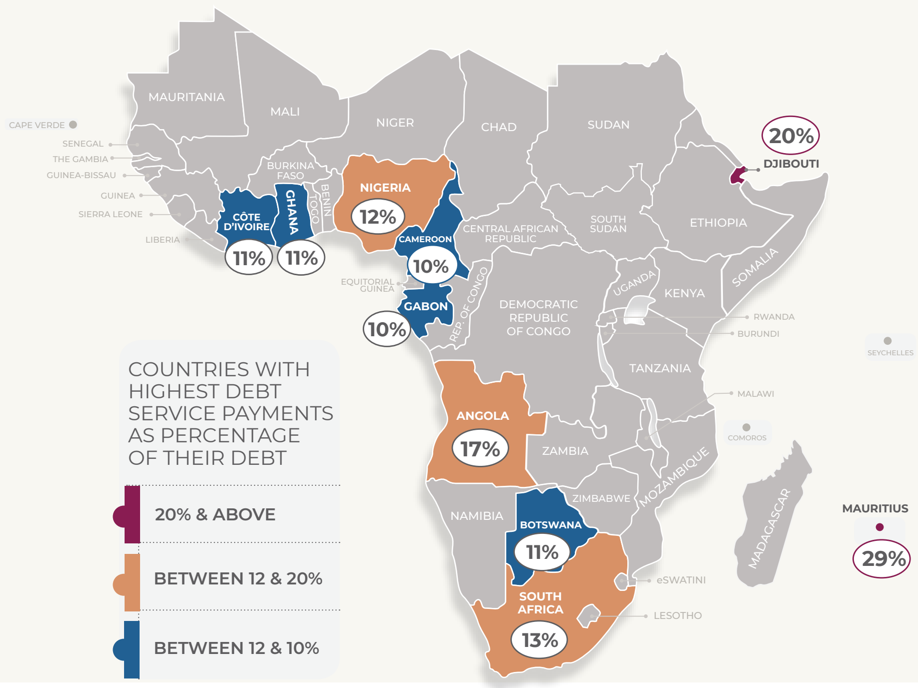
INTERNATIONAL SUPPORT

Globally, we have seen welcome levels of support from traditional lenders such as the IMF, the World Bank, G20 finance ministers and non-concessional lenders, particularly China - providing both medical assistance, financial stimulus and debt relief to African nations. The G20 group of wealthiest countries in the world including China, have granted 40 African nations a debt repayment holiday up to the end of 2020, and possibly longer. That debt is estimated at USD 20bn in total, still leaving more than USD 56bn to pay, according to Beijing-based consultancy Development Reimagined.

PUBLIC DEBT ACROSS AFRICA



TOP 10 COUNTRIES WITH HIGHEST DEBT SERVICE PAYMENTS



WAVEFORM OF REGULATION

After years of creeping liberalisation, the state is now stepping in as employer of last resort, insurer of last resort and in some cases, shareholder of last resort. Judging at what point state intervention crowds out private enterprise is a debate that will occupy African societies over the next decade. The degree to which societies are prepared to cede their privacy in return for health protection will also occupy citizens. Some will accept state surveillance, while others will take to the streets to resist it.

GETTING ECONOMIES GROWING AGAIN

Each nation will set a recovery path, and each will want to tune its engine differently. Whatever strategy they adopt, it seems clear that demand for public services will increase, and levels of private consumption will decrease. After the worst of the emergency is over, governments will reduce spending and introduce new duties and taxes to plug deficits. Companies that operate across multiple jurisdictions will find themselves having to navigate a plethora of different regulatory regimes. Engagement with policy-makers and regulators will assume a higher priority for industry in this new environment. The regulation that emerges in each country, or in each city, will depend on the quality of dialogue between government and civil society, and the administrative capacity of governments and municipalities, among other things.

SECURITY OF SUPPLY

When it comes to trade, policymakers in many nations appear minded to address a steep decline in their countries' exports by curbing imports and forcing the reshoringof supply chains. Such measures fail to recognise how important the international integration of supply chains has been for reducing the proportion of people living in extreme poverty - from 43% in 1980 to 10% in 2015.

Turning inwards and shortening supply chains will not advance economic growth or development; it will not lift people out of poverty. Instead, reshoring will fragment markets and deprive businesses of economies of scale.

Security of supply is much better achieved through agreements with a multiplicity of suppliers holding stocks of essential products.

DECARBONISATION & DIGITALIZATION

Decarbonisation and digitalization present policy-makers with obvious paths to build competitiveness and sustainability.

South Africa introduced a carbon tax last year. More African nations will follow suit. In the digital realm, many African nations are closing the gap with the rest of the world. Internet penetration has increased tenfold since the early 2000s and is expanding rapidly, especially through mobile connectivity. Projects like the Giga initiative, aim to connect every school in Africa by 2030. Meanwhile several countries on the continent are looking at measures to introduce new forms of taxes on digital services to raise revenues.

Both digitalization and decarbonisation offer the potential to increase productivity, employment, and growth, while simultaneously guarding against climate change and reducing the risk of climate-induced natural disasters and food insecurity. As African nations work out how to embrace green growth and design digital economy strategies, the European Union will be there to assist them, as part of its €100 billion per year Build Back Better diplomacy.

DIPLOMACY

Across the board, COVID-19 is forcing an evaluation of diplomatic ties. U.S incompetence managing the pandemic coupled with an absence of global leadership has undoubtedly affected African attitudes towards the United States; but so too has Chinese discrimination towards Africans in China. These and other soft power factors, including healthcare diplomacy and debt forgiveness, will influence geopolitics in the months and years to come. There's a lot at stake.

ABOUT THE AUTHORS

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