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Do the economic consequences of Covid-19 advance or hinder the structural transformation in Africa?

Introduction

The currently unfolding Coronavirus (COVID-19) pandemic crisis has resulted in economic shutdowns and supply chain disruptions with global ripple effects across all economic sectors in a rare “twin supply-demand shock”. On the African continent the severe economic effects have already been felt in the commodity sector – as demand for Africa’s raw materials and commodities in China has declined and Africa’s access to industrial components and manufactured goods from that country has been hampered. This has caused further uncertainty in a continent already grappling with widespread geopolitical and economic instability.

Moreover, the COVID-19 pandemic has hit vulnerable, low-wage workers who have lost their income and jobs. These blue-collar jobs are often held by people of colour, and especially women of colour. In contrast, many white-collar workers can work from home and receive their salaries, order supplies from delivery workers, the so-called independent contractors with few rights. These inequities are likely to grow and become increasingly obvious the longer the pandemic persists.

The Covid-19 crisis might be hindering structural transformation, but it would be an illusion to assume that it sweeps away the serious problems that existed prior to the pandemic. BC (Before Corona) the African continent was known for its many challenges that come in the form of poverty, unemployment, inequality, lack of proper safety nets and slow structural transformation. Since we cannot quarantine these endemic challenges, the pandemic has made them to be more prominent, while compounding

their severity. Although Covid-19 is new catastrophe facing Africa, in many ways it is only acting as a catalyst for already existing challenges.

Opportunities After Corona (AC)

While there are myriad of problems, the pandemic arguably presents a golden opportunity to roll out structural reforms at a much faster pace. As Winston Churchill once said "never let a good crisis go to waste". DC (During Corona) this gives an opportunity to advance structural reforms that fix underlying problems in Africa's economy and democracy. The pandemic presents an ideal opportunity to modernise, be efficient, and implement reforms where necessary. It forces us to rethink the way we operate from a government point of view, rethink how we do business and strengthen value chains for trade across Africa. It also makes us to rethink how we structure the education system to fit digitization through accelerating digital agility. The coronavirus has demonstrated that we can do many things that seemed impossible before. We are now allowed to think it is possible to contemplate a different set of rules and norms. There is a dramatic return to Keynesian policies by those who once kept at arm's length what they considered a sin: to recognize public services as public goods that are to be properly funded, treating them as investments in social capital instead of as liabilities. The epidemic has offered the opportunity for the private sector to become a partner in economic development, as epitomised by the South African Solidarity Fund. How this relationship develops and whether both parties can see the growth opportunities, presents exciting possibilities.

Online retailing is a notable beneficiary of COVID-19's impact; the sector has experienced growth as people turn to online shopping to avoid crowded shops or because they are quarantined and unable to leave home. Online retailing provides a new opportunity to be adopted by Africans.

Conclusion

Although the coronavirus is exacerbating some problems, new opportunities have also arisen. If firms had less monopoly power, they would have less influence with

policymakers. If women and people of colour were paid equitably then more people would have adequate resources to weather a temporary storm. There is a need for a strategy that faces Africa's problems head-on and takes the continent out of the low-growth, high-unemployment, high-crime, socially discordant dystopia that existed prior to Covid-19, and ensures that the African economy not only recovers, but is able to prosper. Structural reforms are vital to protect public health, mitigate the risks of future outbreaks, and ensure the eventual recovery benefits most Africans need. The new economic policy debate makes us believe it should be possible to calmly address divergent views about the preferred trajectory for Africa's structural transformation.

(The views and opinions expressed in this blog are those of the authors and do not necessarily reflect the organization, FES South Africa.)