



Impact of COVID-19 in Africa: A scenario analysis to 2030 (July 2020)

Unintended consequences of mitigation

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Last updated 07 November 2022 using IFs v7.45

Unintended consequences of mitigation

Given the many unknowns about the virus, governments have to make decisions based on incomplete facts and information at their disposal. This requires a balance between the deleterious economic repercussions and the potential human suffering from COVID-19.

Initially, states with more developed economies, such as Algeria, South Africa, Kenya and Egypt, which are more exposed to global interaction through trade and tourism, experienced the largest infection and fatality burden. Comparatively, countries with low levels of economic development (and hence more limited interaction globally) and high levels of dependence on subsistence farming, such as Sierra Leone and Malawi, appear to have much lower rates of infection and mortality. This divergent trend is, however, unlikely to continue as rates of community transmission accelerate.

While rates of infection and mortality differ widely from country to country, all of Africa has been severely affected by the economic downturn. This is especially so for large energy exporters such as Algeria, Angola and Nigeria, and in the case of Egypt, due to the impact of reduced global trade and income from the Suez Canal.

Having bought time for the preparation of their health systems, most countries are now easing restrictions in order to restore their economies. A number, including South Africa, are implementing so-called risk-adjusted (or more targeted) post-lockdown strategies, including potentially isolating vulnerable groups and regionally differentiated responses. These efforts are accompanied by mass testing coupled with contact tracing while awaiting improved treatment (such as dexamethasone) and eventually a vaccine.

From health crisis to economic and human development crisis

The restriction of economic and social activity has meant that COVID-19 has become a systemic human development crisis in Africa.

After lockdowns in Africa are lifted, the economic recovery is likely to be gradual, worsened by a collapse in tax revenues and a notable reduction in employment levels and household incomes. Certain sectors such as tourism — on which numerous African countries depend heavily for foreign currency — may take several years to recover. Prospects for tourism have been downgraded several times with current estimates by the World Tourism Organization pointing to a decline of 58% to 78% in tourist arrivals for 2020. [1]

The further challenge of a second or third wave of infections poses additional risks to Africa's recovery. Developments in Europe and North America will need to be watched closely as these countries go into their autumn and winter flu season.

On the upside, there is some indication that COVID-19 may accelerate technology adoption and the transition to a digital economy, and even facilitate a degree of leapfrogging towards a more sustainable economy fuelled by renewable energy. Coming off a low technology and ICT base, COVID-19 has some potential to accelerate Africa's economic diversification and speed up digitisation as domestic businesses seek to operate while mitigating risks, establishing new work practices and cultures in the process.

In an effort to mitigate the economic impact, many African governments are resorting to social transfers, credit guarantees and monetary easing, but the fiscal space available for such efforts is limited. In addition to borrowing more money, governments are inevitably revising their budgets to bring spending (such as on public sector wages and on interest) in line with the very evident economic contraction and expectation of reduced revenues.

Economic contraction is further compounded by high levels of debt in many African countries. Levels of indebtedness have steadily increased in recent years and the collapse in growth due to COVID-19 is thus likely to trigger a debt crisis and potentially even a default in some instances. Lower borrowing capacity means countries also have less capacity to prevent and mitigate the impact of the pandemic, and this will in all likelihood result in more deaths.

Countries such as Angola and Nigeria that are largely dependent on oil revenues have been hit particularly hard as prices collapsed with the global reduction in demand. Revenue from remittances [2] will also decline as the diaspora has less money to send home. Fewer remittances would represent a loss of a crucial financing lifeline for many vulnerable households in Africa.

Finally, COVID-19 is unfolding at a time of unprecedented shifts in power, influence and economics — trends that have reduced global cooperation and multilateralism deemed essential to combat the pandemic. The manner in which these shifts play out in Africa, in relation to the trade and diplomatic relations of African states with emerging regional blocs such as Southeast Asia, will probably shape the trajectory of Africa's regions in marked ways. This is especially true in relation to lending, infrastructure, industrial development and trade.

Endnotes

1. UN World Tourism Organization, [International Tourism and COVID-19](#)
2. According to the World Bank, global remittances would experience the sharpest decline in recent history, falling by one fifth in 2020. Its forecast for sub-Saharan Africa is a decline of 23.1% in 2020 and a decline of 19.6% in North Africa and the Middle East. The outlook for 2021 is uncertain, but the World Bank expects a recovery of 4% in sub-Saharan Africa and 1.6% in North Africa. World Bank Group, [World Bank predicts sharpest decline of remittances in recent history](#), 22 April 2020.

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Cite this research

Jakkie Cilliers (2025) Impact of COVID-19 in Africa: A scenario analysis to 2030 (July 2020). Published online at futures.issafrica.org. Retrieved from <https://futures.issafrica.org/special-reports/other/covid/> [Online Resource] Updated 07 November 2022.

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Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees, head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute, and is an extraordinary professor at the University of Pretoria. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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