Compassion, Uncertainty, Anxiety—and Hope

Africa in the Time of Coronavirus

Jean-Michel Severino

The first half of 2020 is coming to a dramatic close, around the world but in Africa especially. This is hardly new; the continent is used by now to being buffeted by global shocks. But the present situation brings unprecedented challenge and unprecedented danger.

In the face of such a challenge and such danger, it is natural for global public policy to respond first with calm if not cold reason. That is what it is designed to do, after all. But in the present circumstances, so high are the stakes—human, social, and political—that, inevitably and appropriately, they evoke strong emotions as well. I propose that we allow ourselves not to dismiss but to embrace these emotions, because they may help our reasonings find their way to better answers than reason can discover on its own.

Among the emotions I speak of are compassion, uncertainty, and anxiety, but also hope. In this essay I will try to trace the path by which these emotions lead us, down through the present miseries and back upward toward recovery.

Our *compassion* is stirred at witnessing Africa scourged by a global crisis to which its poverty makes it even more vulnerable. It is already clear that many more Africans are at risk of dying from the economic crisis than from the public health crisis that preceded it, serious as the latter is.

Uncertainty arises from the awareness that, whatever Africa's responsibility in this crisis, one cannot count on today's dysfunctional global governance system to recognize its. The chains of mutual responsibility that link nations today are global, but nations themselves are trending nationalistic. Already the lack of better governance and more responsible collective action has cost many lives, in Africa and elsewhere.

Anxiety is aroused by the prospect that the rest of the world will fail to realize Africa's strategic position in the fight against both the pandemic and the economic crisis, with its implications for the macroeconomic and international debt strategies of the industrial countries and China.

But, as at the bottom of Pandora's box, *hope* still remains, as we remember that the lessons of the structural adjustment programs of the 1980s and 1990s were in fact learned. Today these programs are making a comeback, to address the new macroeconomic crisis that afflicts the continent.

We will need to reflect carefully on the recent past, present, and future of the African and world economies if we are to do what is demanded of us in a moment characterized more by chaos than by settled knowledge. Absent successful collective, global action, we can instead expect to see fresh divisions, political and social, between Africa and the rest of the world. The consequences of this rupture could be devastating, for security and for political stability as well as for the global economy and for national economies. Yet even as the uncertainties are many, so too are the tools at our disposal with which to set our course in the right direction.

The question is, Will the international community rise to the challenge, in a world beset by multipolar confrontation and a default of leadership?

COMPASSION

What Africa is experiencing is a second systemic shock in a decade which comes at a moment when important fragilities have started to build. The subprime crisis hit Africa in 2008–2009 and inflicted a violent external shock to some of its economies. A plunge in oil prices dragged down Africa's oil producers, although the beginnings of a recovery were underway by the time the new COVID arrived.

Between the crisis of 2008–09 and the crisis of 2020, a new African economy has flowered

Across the African continent, the subprime crisis put a halt to a decade of strong and widespread growth. That growth had stemmed from four causes. One was a sea change in countries' economic policies resulting from the structural adjustment programs of the last decades of the 20th century (their bad reputation in some quarters notwithstanding). A second was a massive and deliberate deleveraging: debt owed to both multilateral and bilateral creditors was sharply reduced during the same period. A third was a very favorable shift in Africa's terms of trade. The fourth was the reaping of the first dividends—unequally distributed across countries but nonetheless real—of a still-nascent demographic transition.

In the decade following the subprime crisis, decisions by the global oil cartel to restrict output led to a slight rise in oil prices. Meanwhile aggregate African debt soared as countries increased their domestic investment; China became an important source of this borrowing and today holds 40 percent of the continent's sovereign debt. And little by little, the demographic dividend continued to swell.

As these changes were far from uniform geographically, economic growth began to differ widely across Africa, leading to a distinct segmentation. Those countries with important oil and mining sectors experienced a slow and difficult recovery. Their economies, uncompetitive to begin with and largely unreformed, remained essentially mired in depression. Countries suffering from political and military crisis also remained, unsurprisingly, economically distressed. But many other countries, focused mainly on growing their domestic markets, experienced another decade of strong, sustainable growth. Among them were the continent's chronically poor, landlocked countries, but not just these: Kenya, Côte d'Ivoire, and Senegal grew robustly as well. Led by the last two, the non-oil-producing countries of West Africa in general also witnessed a decade of healthy growth. For the most part, however, this growth was not rapid enough to prevent sovereign debt from mounting in worrisome fashion. The main reason: in too many countries, as the International Monetary Fund (IMF) noted with disapproval at the time, the investment to which the new debt was devoted was of poor quality.

These problems aside, the best economic news to come out of Africa in the 2010s was that a locally owned, highly entrepreneurial private sector was managing to flourish, not only in traditional economic activities but in new industries in the technology sector as well. At the same time a more efficient and competitive ecosystem emerged: the new African economy is increasingly green, with a boom in renewable energies, mainly hydroelectric and solar. These successes in turn raised new hopes, already partly realized, that Africa's long battle against poverty will finally be won. The evidence for this includes a significant reduction in mortality and morbidity and expanded access to education and essential human services, although much remains to be done on all these fronts.

Will the coming public health crisis worsen the economic crisis?

As the first half of 2020 draws to an end, one cannot yet know how the coronavirus pandemic that has already swept China and much of the rest of Asia, as well as Europe and North America, will play itself out globally. How it will affect Africa is not any more certain. Africa's dense web of economic and other contacts with China, on the one hand, and on the other the continent's weak public health systems and the poor overall health of its population, might lead one to surmise that the virus will spread rapidly, especially through the continent's dense cities where mass quarantine is out of the question. The large and largely unchecked circulation of people across national borders in Africa also raises concerns.

So far, however, the worst fears have not materialized. Has the viral tsunami merely been postponed? Or are there demographic, environmental, or biological barriers in the virus's way? Has public policy in African countries been perhaps unexpectedly effective, taking advantage of the good fortune of being among the last in line to bear the pandemic's full impact? Only time will tell, but for now the essential task is to prepare for the worst, while hoping that it does not come to pass.

Meanwhile what is indisputable is that economic crisis is already upon Africa, and that its impact will be enormous regardless of the pace and depth of the public health crisis that may or may not follow. Needless to say, if and when the latter does come, it will only make the former that much worse.

The abrupt economic shutdown of the rich countries and China has already imposed a gigantic cost on Africa. Indeed, even before the first signs of the virus appeared in Africa, traffic on the supply chains linking the continent to China came to a sudden halt. This led at once to the shutdown of thousands of African companies that depend on China for spare parts or unsubstitutable inputs. Next, and almost overnight, the European and Chinese markets simply went dark, forcing the closure of a considerable number of African exporters left with no one to sell to. Tourism, too, disappeared. Capital markets shuttered, drying up investment funds for numerous tech start-ups just when their economic contribution would have been most beneficial, as well as for other promising businesses seeking to expand. Last but not least, the dramatic collapse in the prices of oil and minerals had immediate fiscal repercussions for those countries that depend on their export, and in at least one case, that of Nigeria, the shock wave spread to its entire surrounding region.

In short, a huge shock not only to overseas demand, but to domestic supply as well, struck first at Africa's entrepreneurial sector, the most dynamic part of the continental economy and the primary engine of its long-term transformation. The steep decline in oil prices also shook the renewable energy sector, casting a dark shadow on hopes for the development of a carbon-free African economy.

UNCERTAINTY

The coronavirus pandemic threatens to undo the developmental progress achieved in Africa over the last twenty years. Yet once more an imported crisis is sweeping through these fragile economies, this time, in all probability, devastating not just the oil producers but all others as well, and generating agonizing uncertainties.

Plenty of blame to be shared: Causes and consequences of the pandemic

The origin of the pandemic remains a matter of debate. From what is known so far, the most likely scenario is that a wild bat transmitted the virus to humans by way of a third host, possibly an African species of pangolin, a small, scaly anteater. Even if this hypothesis remains unproven, its plausibility and the danger of such a transmission recurring raise questions about a series of causes and consequences in which Africa has a role.

Pangolins and pangolin meat continue to be exported from Africa to China, despite the prohibition of this trade under the International Convention on Trade in Endangered Species of Wild Fauna and Flora (CITES). Although little known to the general public, this convention represents a remarkable step forward in the global management of the world's biodiversity. First adopted in the 1970s, it constitutes, despite its shortcomings, an example for future policymakers to imitate of how the international community has come together in the past to manage the global commons.

Nigeria is considered the main source of pangolins trafficked internationally, and it is possible that specimens infected with the new coronavirus there were poached and exported to China. In this scenario, at the root of the pandemic lies the plundering of African and world biodiversity, made possible by the impotence and corruption of government officials in both Africa and China and by the inadequacies in the CITES. Not to be excused, however, are the Chinese consumers of contraband pangolin meat, to the extent they were aware of the illegalities in the chain of production and marketing of their chosen delicacy. The public health crisis we are now living through is not, strictly speaking, a result of globalization per se, but primarily of failures of global governance and the irresponsibility of certain national officials entrusted with implementing it.

For Africa, a crucial challenge to build effective global governance

Before continuing, a brief step back.

In a globalizing world, developing countries play a central and multifaceted yet often underappreciated role. More than their richer counterparts, they raise the question of who shall pay, and how much, to foster and preserve global prosperity, and of where to strike the balance between the competing desiderata of national sovereignty and global solidarity.

Often, of course, developing countries are far more on the receiving end of global evils than they are perpetrators. Consider climate change, for example. The poorer countries account for little of the accumulation to date of carbon dioxide in the earth's atmosphere—the culprits for that are the rich industrial countries and China (although the combination of growing populations and more rapid economic growth in the poorer countries will eventually tilt that balance). It is also in these countries that solutions to some other pressing global concerns will be found: developing countries harbor the bulk of some of the world's most valuable natural assets, such as rainforests and endangered species—such as the pangolin.

All that said, developing countries are also the locus of origin of some of the planet's great ills. Africa was the source not only of the new coronavirus, as noted above, but of the AIDS and Ebola viruses before them. Yet for now these countries' ability to contribute to the management of countervailing global public goods, such as international public health campaigns to contain these plagues, remains limited by their weak economic and administrative capacity.

The responsibility of developing countries for many global public goods and bads alike is thus both complex and multifaceted—and that suggests the basis of an implicit global pact. Indeed, although so far inadequately funded and imperfectly implemented, that pact has begun to take shape informally, for the most part only since the beginning of the present century. On one side, the rich countries and China, through overseas development assistance and in some cases through their sovereign wealth funds, are transferring significant financial resources as well as technological and other capacities to the developing world, as they have for many decades. For their part, the developing-country recipients have accepted conditionalities on their domestic policies, agreed to the establishment of national institutions compatible with global systemic arrangements, and undertaken projects addressing issues of specific concern.

But, to return to the subject at hand, biodiversity has yet to be conceded the same political priority as climate change, for example, nor has adequate attention been paid to its connection to public health and the environment, despite an extensive body of scientific knowledge about these links. The major international conventions on biodiversity, including the CITES, lack both the statutory teeth and adequate financing to make them stick. We are now experiencing firsthand the consequences of these flaws. What makes the coronavirus crisis so complex and hence intractable—and thus underlines the need for significant reform of the relevant global public policies—is precisely that the linkages between industrial and developing countries today are so deep, the feedback effects between them so strong, and the need for concerted action that will benefit all countries so urgent.

But will this need be acknowledged? As in all efforts to address systemic shocks, reform of global governance is called for, in this case of an extent commensurate with what might follow another great war. Nothing less than a new Bretton Woods conference like that which created the IMF and the World Bank, or a new San Francisco conference like that which founded the United Nations, would suffice to relaunch global governance on the desired scale, rooted in a new awareness of the responsibility of each nation toward all and in a spirit of solidarity of each with all. Unfortunately, today's multipolar world politics makes this difficult, if not impossible. Worse, to the current absence of global leadership like that which the United States provided after World War II, two new obstacles must be acknowledged. One is the increasingly nationalistic orientation of the two most likely countries to fill that void, namely, China and the United States. The other is the alarming rise in some countries of authoritarian strongmen, unlikely to accept the deeply democratic and globalist logic that drives the quest to restore the global system of governance to its former strength and prestige.

While solutions are sought to this apparent impasse, it is essential that African governments give careful thought to the continent's proper relationship to global ills like the current pandemic. Its leaders and the general public should study the chain of responsibilities and consequences. Granted that their countries are all too frequently sideswiped by the selfish policies of the industrialized countries and China, it will not do for African politicians to remain stuck in a victim's crouch. Their active participation in building the new global governance structure is indispensable, for the reasons already stated. For their part, the world's rich and middle-income countries must accept their poorer counterparts as genuine and not merely pro forma participants in the negotiations toward that new structure. The rich and middle-income countries must also accept the financial consequences for themselves of recognizing the central role of the poor countries, not with mere lip service but in the sincere belief that development assistance is truly one of the pillars of collective global security.

More than ever, and like every other world region, Africa finds itself bound up in an increasingly dense web of linkages both internally and with the rest of the world, bringing all of humanity ever closer together. Africa and its people must take this simple and undeniable reality to heart. At the same time, it is incumbent on the world's rich countries, even as they undertake interventions on an immense scale to shore up their own economies, to take Africa into account. Africa was present and involved in the causes of the crisis; so must it be in any solution.

ANXIETY

In time of crisis, political and economic decisions must be made quickly; the pace of deliberation and the making of plans can be frenetic. In the present crisis, will there even be time to weave the complex considerations laid out above into a comprehensive plan that does justice to all affected parties? There is good reason to worry.

Structural adjustment is back on the agenda

Today Africa finds itself once again facing the task of structural adjustment, this time not just in its oil- and mining-intensive economies but across the continent. The IMF, the World Bank, the other international development institutions, and the finance and development ministries of the industrialized countries and China will soon have their hands full.

A shock to international supply and demand is sure to follow the shock that Africa has already suffered to its domestic demand. Although ruptured supply chains are already beginning to heal, and export markets are becoming accessible again, if tentatively, this process is bound to be slow, given the slow pace of recovery in the industrial countries and China. And its course is rendered uncertain by doubts about how the pandemic will play itself out and about the effectiveness of the recovery plans that these countries have adopted.

But even as their external demand crisis tapers off, African countries can expect to suffer a massive drop in government revenue, both from customs duties and from corporate taxation. Capital outflows, possibly accompanied by reduced remittances from their emigrants, will also weigh on a balance of payments already weakened by the interruption of exports. Fiscal contraction and capital shortages will no doubt follow, with their familiar consequences: reductions in public spending, shortages of foreign exchange, devaluations (except in the CFA/ECO zone of western Africa), and inflation. These consequences will be profound and felt across the board: in infrastructure, to be sure, but also in the provision of essential human services such as health care, and education. Especially impacted will be those countries engaged in the war against terrorism—in the Sahel, for example—as they find their capacity to control the situation in the field diminishing and as new security risks emerge.

In this context one perceives a massive difference between the rich countries and China, on the one hand, and Africa on the other, at present. The former have chosen to put the burden of maintaining public expenditure, and of their plans for economic recovery and foreign exchange supply, on two of their major players. The first is their financial markets, which remain eager to place their cash liquidity even at the very low interest rates now prevailing. The second is their central banks, which are becoming, directly or indirectly, the main creditors of their governments. A reasonable wager would be that the central banks will continue to keep rates low, so as to prevent a financial crisis. But in the end the industrial countries will probably reject the long-term financial burden of this stabilization policy, either through monetary creation, in a context where the return of inflation is unlikely, or through default.

Neither of these options is available, or at least readily available, to the countries of Africa. Inflation is a very real risk in these economies, many of which are relatively closed, and some of which are accustomed to price volatility. Inflation is also especially devastating for Africa's poor. But inflation in Africa is closely linked to currency depreciation, which is often linked in turn to the excess printing of money. Hence, central banks in Africa will lack the policy options available to their rich-country counterparts.

Nor will the African countries be able to call on global financial markets for help, as these are at best marginally open to them. There is talk currently of a new London Club, which could once again assure developing countries of access to private capital. For now, however, African governments have no other option than to seek once again the support of their counterparts in the industrialized world and in China.

Generosity is reasonable—and profitable

Should the rich countries provide the massive fiscal and balance of payments support that Africa needs? To do so would require them to transfer in turn the cost of such support to the international capital markets that finance their budget deficits, or to their central banks. And they would be doing so precisely at a moment when those deficits are already exploding, and when their publics, even those still overwhelmingly supportive of domestic economic stimulus, are increasingly worried about the rising national debt thereby incurred.

Despite these worries, the answer to the question just posed has to be yes, for three reasons. But a conditional yes. I will first go through the reasons and then state the condition.

The first reason is that the funding amounts in question are modest in scale relative to the African economy in the aggregate. If the macroeconomic package assembled for Africa were of a volume roughly proportional to the African economy to what some of the rich countries have decided suits their own needs, some 300 billion euros would be called for in 2020–21. This would be roughly six times the volume of annual official development assistance provided to the continent—a large number from that perspective—but a significant portion would appropriately come in the form of loans to support countries' balance of payments rather than added to their budget deficits. This would increase the continent's aggregate debt by about 10 percent of its aggregate GDP—though some countries would need much more. But this would not be an unreasonable addition to the debt burden, in retrospect, if economic growth after the period of structural adjustment exceeded the interest rate on that debt. Growth at such a pace would bring substantial welfare gains to the poorest populations, while also generating tax revenue that would lower countries' deficits and so keep national debts (assuming continued low interest rates) at sustainable levels. Of course, this increase in indebtedness should be accompanied by an increase in grant assistance to those countries facing the most precarious budget situations.

The second reason is that the same proposed funding amounts are also modest compared to the absolute sums that the major industrialized countries are appropriating for their own needs. They would add trivially to the public debt of those countries and China. At current exchange rates, the combined GDPs of China, the European Union, and the United States are currently on the order of $53 trillion. A comprehensive support plan equivalent annually to about two years of Africa's GDP (again at current exchange rates) would cost, over three or four years, about $600 billion, or only about 1.1 percent of the combined annual GDP of the industrial countries plus China. This could be apportioned between (cautious) debt relief and new lending and grants. Given its share of Africa's debt, it is imperative that China participate substantially in this effort, not just by providing funding but also by assisting—indeed, becoming a driving force—in Africa's debt management. If instead Europe alone were to contribute to restoring Africa's solvency, China would unfairly reap much of the benefits of Europe's generosity while the national debts of the European countries and the balance sheet of the European Central Bank would undergo a considerable expansion.

The burden of this additional debt could be further reduced if the international community were to agree to a substantial new issue of special drawing rights (SDRs) at the IMF for Africa's benefit. Such an increase in the stock of SDRs would not necessarily solve the continent's fiscal problems, but it would have an immediate positive impact on its balance of payments constraints, and in turn on countries' exchange rates and price stability, thus avoiding an extraordinarily severe impact on the poorest Africans.

The third reason why the rich countries and China should step in with generous support is that, taken together, their efforts promise a net economic return to them: their intervention would be cost-effective. Even after an assumed period of catch-up, annual economic growth in Europe is not expected to exceed its medium-term potential of perhaps 2 percent in terms of real GDP. Growth in Africa is likely to be much more rapid. Averaging across oil-producing and non-oil-producing countries, it could be on the order of 4 percent a year even if commodity prices remain low. It could be more rapid still if those prices should return to levels of the recent past, but this is uncertain and depends on conditions in the world economy as well as on the policies pursued by OPEC, the United States, and other commodity producers. This growth, were it to materialize, would percolate through to the rest of the world via increased African imports, which were already strong in the years preceding the present crisis, thus playing a countercyclical role in economies outside of Africa. Europe has much to gain from investing in the recovery of the African economy and its people, who are eager to consume and invest more rather than increase their saving. It could even be argued that, thanks to multiplier effects, Europe has more to gain from investing in Africa than in its own recovery! To be sure, this argument comes with some caveats—in particular the fact that the African economy is still much smaller than the European—and some risks. But it remains plausible. And the economic risks are in some measure offset by the noneconomic risks that Europe would incur if it failed to support Africa's adjustment. Among these are the risk of additional emigration from Africa to Europe, as well as those, already mentioned, to stability and security related to the war against terrorism.

Now, finally, for the condition, and it is an essential one. Lending to Africa from the rich countries and from China under these programs will have to come with low interest rates or be offered on terms like those that these countries face on their own borrowings. Their costs of finance are extremely low at present and will probably remain so. One of the best things these countries could do for Africa—and for the poorest developing countries elsewhere—would be to pass on to them the financial terms they themselves enjoy, at cost, without any markup. And they have a choice in how they fulfill this essential condition: either by bilateral lending or by multilateral lending through the World Bank or the African

Development Bank. The argument here is both economic (and has been made above) and moral. Granted, the origins of the pandemic lie in Africa (the pangolins) but it was China and the rich countries that, as it were, processed that natural resource into a pandemic and reexported it to Africa. And of course, as was noted above, the original export amounted to a theft of part of Africa's biodiversity, even if the latter looked the other way or even participated in that illegal and morally tainted export.

The international community has taken some first steps to address Africa's crisis, but these have been tentative. Hence the anxiety that Africa and Africa's friends are now feeling: does the international community, and do the rich countries and China in particular, really grasp the importance of supporting Africa at this moment of great distress? At both the bilateral and the multilateral levels, much of the international community's effort has been focused initially, understandably and properly, on the public health dimension. There is no doubt whatsoever that the public health capacities of African countries had to be strengthened—masks, tests, and the like had to be gotten to where they were needed, for example—and have to be strengthened further. Likewise their capacity, including the human resources capacity, to treat serious coronavirus cases must be scaled up greatly. But all this amounts to a modest down payment on what a comprehensive response to the coronavirus crisis in Africa must be.

As mentioned at the outset, even in the direst scenarios, many more Africans will die as a consequence of the collapse of economic growth than from the virus. Beyond that, an effective response to the economic crisis will prove essential to addressing the public health crisis that threatens the continent.

The G20 countries, largely at the urging of France, have made initial steps in the right direction. In April of this year, for example, they agreed to extend the maturities of African countries' public debt. This move is to be applauded, yet it only scratches the surface of the problem, in terms of both the amounts involved and the expected impact in the medium term. And still the debt must eventually be paid. As for the official development finance institutions, bilateral and multilateral, should they, given the present circumstances, continue to lend? If so, should they accept a greater degree of risk in that lending? Here the answers must surely also be an unhesitating yes. The answer is likewise yes to the question of whether the industrial countries and China should, when appropriate, act expeditiously to guarantee the loans of their development banks should their solvency ever come into question.

HOPE

Let us assume that the development institutions of the world, the IMF, and the governments of the industrialized countries and of China are all persuaded of the scope and seriousness of the problem. Let us assume further that they decide, formally and resolutely, to include Africa's financing needs in their strategic response to the global coronavirus crisis. Let us assume also that these decisions result in structural adjustment programs negotiated under IMF auspices. These programs will, as always, impose conditions. The international community has learned a great deal, from the experience with the programs of the 1980s and 1990s, about how to specify and enforce this conditionality. But Africa and the world have changed in the interim. The hope is that both the lessons of the past and the realities of the present will be well integrated into the public policies that the recipient countries will be expected to follow.

In this context a discussion will need to take place about the strategic situation of the planet as a whole and its impact on Africa in terms of economic policies, the private sector, the unique predicament of the oil-producing countries, and the environment. All these issues will factor into whether the structural adjustment programs succeed or fail. The essential issue of "ownership" of the programs by the countries undergoing adjustment will also have to be addressed.

The world of today is not the world of yesterday

Although we cannot yet know its exact contours, we do know that the world economy of 2021 will be very different from that of the year before. One can predict that the Western industrial countries will want to revisit and perhaps shorten their international value chains. They will want to create or maintain certain strategic production capacities at home, whether "home" means within national borders or regional ones. Steps in this direction will tend to reinforce broader trends that began to emerge in the early years of this century: the rise of robotics on the one hand and concern over growing balance of payments deficits in the United States and Europe on the other, together with rising production costs in China and elsewhere in emerging Asia, will make the old "East Asian miracle" development strategies, which were based principally on manufacturing exports, increasingly obsolete. The coming years are likely to see an accelerated repatriation of industrial production capacity to the developed countries and a strengthening of "buy local" sentiment. The latter trend, driven also by environmental concerns, has already manifested itself in global agricultural trade.

In these uncertain circumstances, Africa, and especially sub-Saharan Africa, will need to rely more on markets closer to home, whether national, regional, or continental, for its continued prosperity. This will also prove a sensible strategy macroeconomically, in a world awash in liquidity. Fortunately, these domestic markets are growing apace, and that growth looks certain to continue at least through the medium term, propelled by the demographic transition and the growing demographic dividend alluded to earlier. Of course, sound economic policies will be necessary to capture these benefits, but the past two decades give reason for optimism on that score.

To be sure, certain export niches will remain attractive to African companies. Within agriculture, for example, the trend toward "buying local" is not about to eliminate all opportunities for trade, especially in plant-based products. And this trade will become even more remunerative as African producers move up the value ladder. Some industrial products, such as textiles, will also provide opportunities. As Ethiopia and Mauritius show, African products may occasionally supplant those from China or other Asian countries in these value chains, despite the inherent limitations they face.

Finally, foreign markets in services remain largely untapped by African enterprises. Demographic change in Europe will dramatically increase its structural demand for less-skilled labor. Much of this demand will be satisfied through continued immigration to Europe, but services that supply greater skill, usually to be supplied remotely, will also be in demand. Growth in the supply of services abroad through migration will increase remittances back to Africa, benefiting the continent's balance of payments while also increasing the social profitability of its investments in education.

The time to change the "software" of public policy is now

The coming structural adjustment programs should take notice of and build on these changes in domestic and foreign markets. They must not remain captive to the outdated models, better suited to the nineteenth century than to the twenty-first, favored by some developed-country policymakers. Those models invariably place too great an emphasis on reducing labor cost pressures, or on currency depreciation, or both, on the assumption that the export-oriented industrialization policies that worked so well for Asia some decades ago will continue to work today.

If the above analysis is correct, a priority for tomorrow's African economy must be to enhance the quality of its workforce, through investments in health, education, and the like, in order to achieve the desired expansion in both domestically and internationally traded services. But it is above all in the strengthening of domestic markets—national, regional, and continental—that investment will be needed. Here the key sectors are most likely to be food and agriculture, light manufacturing, technology, services, distribution, and construction (including public works), but also private education and health care.

A principal feature of the structural adjustment programs of the 1980s and 1990s was a focus on external competitiveness. Unfortunately, this emphasis when applied to Africa had the practical effect of deindustrializing its economies, whose industrial sectors were inefficient and inadequate to the competitive challenge. This partly explains why structural adjustment in Africa typically took so long: the opening to trade left few competitive firms standing to take advantage of the macroeconomic and institutional improvements. The programs' designers erroneously assumed that once the business environment had been reformed and price competitiveness restored through devaluation, the old, inefficient private sector that had been swept away would be replaced spontaneously by one better adapted to the new regime. As it transpired, it took the entire first two decades of the present century for a new, healthy, dynamic, and innovative private sector to emerge, and then only after heroic investments in infrastructure and other public spending. Now that this new domestic private sector, with formal and informal elements, is at last in place, it is proving to be an important engine not only for economic growth but above all for societal transformation.

The domestic private sector remains fragile in most African countries, however, and this was already a front-burner issue for public policy even before the coronavirus crisis made it a matter of urgency. Composed mainly of informal enterprises, plus some small and medium-size enterprises (SMEs) and start-ups, the sector has been hit hard by the shutdown of the global economy. It will be further directly impacted by the decline in domestic demand now likely to take place. The sector's cash resources have been drained, and it will be only a matter of months, or at most a year, before it is damaged perhaps beyond repair. The formal private sector suffers even more than the informal one, as it has to deal with rigid labor, tax, and administrative policies and thus cannot react to shocks as rapidly as the informal sector. It is also saddled with the obligation to pay customs duties on imported inputs and collect value-added taxes. It is vital that the formal sector not founder, as it is this part of the private sector that will build the continental African market and bear the lion's share of the burden of paying for military, health, and education expenditure. There is a real danger of the gains from twenty years of progress being lost. And in the aftermath of the crisis it will prove difficult for the sector to return promptly to an acceptable rate of growth.

Sad to say, however, the policy discussion thus far over how to respond to the crisis and build toward a recovery seems scarcely to have noticed this key dimension of the challenge. The focus has rather been on macroeconomic stability and to some extent on maintaining social expenditure. These are legitimate objectives but not the only ones. The neglect of this issue of how to shore up the private sector is even more disappointing when one realizes that although the details appear complex, the broad outline of the agenda is actually fairly simple.

First, the domestic private sector must not become, as it has too often in the past, the effective lender of last resort to governments via the accumulation of arrears on goods and services that the latter have purchased. Historically, this phenomenon has received little attention from policymakers, let alone the international institutions. External providers of trade credit, by contrast, tend to have good political access, can influence markets, and provide hard currency, and are thus more successful at getting policymakers' attention. This situation must be reversed: domestic creditors should be moved to the head of the line for reimbursement. External creditors have other means of staying afloat in a crisis and thus can fend for themselves.

Second, priority should also be given to directing the commercial banking sector to lend to SMEs. This can be done through conditionalities attached to their external borrowing, to its refinancing, or to the guarantees that support it. Microfinance also has a major role to play here, as it is the principal source of funding for the informal sector. But the health of microfinance institutions in Africa is under serious threat and therefore deserves particularly aggressive treatment.

Finally, unlike many industrial countries, few if any African countries have public agencies whose mission includes serving the funding needs of SMEs. (In Germany, for example, this is done through the KfW, or Kreditanstalt für Wiederaufbau, and in France through BPIfrance, formally known as the Banque Publique d'Investissement.) Yet both public and private funds must be mobilized, somehow, directly to those enterprises capable of surviving the crisis, using instruments and institutions capable of tailoring their services to the industrial sector's needs. The investment banks already operating on the continent are one option; effective regional banks, like the West African Development Bank for the countries in the West African Economic and Monetary Union, are another. Private equity and lending funds can also be effective delivery instruments for this type of policy orientation.

Within this broader initiative, the oil-producing countries deserve a special approach. No one knows, of course, what the price of oil will be over the long term, but prudence dictates that one adopt the working assumption that it will stay low. If that proves to be the case, the implications for these countries will be dramatic, including the need for major macroeconomic adjustment. Several of the continent's largest economies, such as Nigeria and Angola, will be affected, but so will most of central Africa, for example.

Structural adjustment programs for these countries will need to focus from the outset on their sustainable competitiveness. As a practical matter, their domestic productive sector should be protected from the rigors of adjustment. A commitment to structural competitiveness measures should be at the forefront of the conditionality associated with these programs. It will be appropriate to use future oil revenue to finance the debt burden assumed under the program, thereby sterilizing any impact on domestic currencies and keeping the focus on the domestic productive sector.

The truth is that oil wealth is all too often a curse disguised as a blessing. One hopes that the African countries with still-untapped oil resources, taking note of the recent oil price plunge, will have second thoughts about developing them. Too many countries that have already gone that route have found it leading to an economic mirage, and themselves reduced to rentiers, beset simultaneously by poverty and extreme inequality, their economies as corrupt as they are inefficient. A healthy African economy will not be built on petroleum, but rather on competitive industry, agriculture, and services, capable of nourishing domestic markets and leading them to prosperity. The economic programs of the oil-rich African countries should be urged to reorient themselves in that same direction, through rigorous conditionality attached to any loans they receive.

Finally, the environmental agenda, with its three key dimensions of carbon emissions reduction, preservation of biodiversity, and pollution control (clean air, clean water, waste management, and the rest) must also have pride of place in any future structural adjustment programs. This was not the case in those of the 1980s and 1990s. Here the starting point must be the recognition that today's environmental quality builds tomorrow's competitiveness. This implies a careful balancing of intertemporal trade-offs, but the current low cost of borrowing makes these trade-offs less painful than they might otherwise be. In this respect the arrival of the coronavirus crisis changes nothing about a reality that has already been in place for some years now.

The present juncture, however, poses a new and major difficulty for environmental progress: the same low oil prices that today so distress Africa's oil producers also threaten to derail the great momentum on the continent in recent years toward renewable energy, both in centralized projects such as large-scale hydroelectric power and in decentralized ones such as household and village solar. Oil at $20 a barrel risks undermining the green, autonomous, decentralized energy economy that Africa has begun to work toward. This situation calls for bold solutions, such as the imposition of border taxes on imported oil or an increase in value-added taxes on carbon fuels and other pollutants. The resulting revenue would help finance some combination of public debt amortization, consumption subsidies for the poorest, support for the domestic productive sector, support for social services, and subsidization of renewable energy, depending on countries' preferences. Environmental considerations should also enter into macroeconomic policy: currency devaluations, for example, have undesirable impacts on both deforestation and loss of biodiversity. It is incumbent on the member countries of the IMF and the World Bank to impress on those institutions that macroeconomic policies must be assessed in a broader context than GDP and the balance of payments alone.

No effective policy without ownership

In the end, the key to the effectiveness of any structural adjustment program is whether the country's government and public opinion come to "own" it, that is, to accept it as an appropriate potential solution to the problem at hand and to take responsibility for its implementation. This can be a difficult sell in Africa, as many Africans both inside and outside of government see the source of their economic maladies as external, not internal. The conditions imposed on the macroeconomic side of these programs thus risk being perceived as illegitimate, because they did not originate at home. Public opinion may come to see conditionality as a punishment, or as a second wrong imposed on the first. This view is especially likely to become widespread if the conditions include private sector or trade liberalization policies that are perceived as primarily benefiting international rather than domestic players.

It can hardly be said too forcefully: in the concrete geopolitical context of the coronavirus crisis, the conditionalities imposed in the new structural adjustment programs will be regarded as legitimate, and will be implemented, only if the following three conditions are met: the program works to the benefit of the domestic productive sector; the program is adequately financed; and all parties recognize shared responsibility for the ills that have been visited upon them.

Failing any one of these, the new round of structural adjustment and its attendant conditionalities will only lead to a new crisis in the form of disruption of the political dialogue between Africa and the rest of the world, China and Europe in particular. This disruption will play into the hands of extremists on all sides: from radical Islamists in the Sahel to nascent and for now still inchoate nationalist and populist movements across the continent. This will ultimately lead in turn to macroeconomic breakdown, to generalized impoverishment, to wholesale debt default and repudiation, to a further surge of emigration, and to general mutual antagonism and instability. These are outcomes that no one wants. And that is why, beyond securing the requisite financial support, the objective must be to keep the dialogue open, especially among Africa, China, and Europe, the principal *dramatis personae*. It is necessary that the global vision that emerges from this dialogue, as well as the specific adjustment measures agreed to, be shared as widely as possible, that the conditionalities be accepted, and that the policies adopted be viewed as fair to all.

Continued economic, social, and policy research, as well as an ongoing dialogue at both the governmental and the grassroots level, will be indispensable to this new shared vision, while accepting that conflict is inevitable. In a world still, so to speak, under quarantine, where "social distancing" will remain the order of the day for some time to come, the wherewithal must be found to invest in cultural and political reconciliation. Public institutions and private foundations, individuals and societies, all are called on to become involved.

BEIJING TO CENTER STAGE

We cannot say we didn't know this crisis could happen. We can say, however, that much about the pandemic—the pace of its spread, its severity, its impacts beyond those on public health—remains unknown. We do not yet know if or when an effective vaccine or effective therapies will be discovered. We have no choice but to adapt, continuously, as best we can, to an ever-evolving situation. Flexibility and imagination will be the watchwords for the next several months at least, and probably for years to come.

But there are some things of which we can be certain. One is that, as noted at the outset, the economic crisis will claim more lives in Africa than the coronavirus itself. Even as we struggle to contain the latter, we must give new emphasis, and quickly, to the former.

Another is that, unlike in the 1980s and 1990s, the key to the present effort must be a focus on strengthening the African domestic private sector, populated by vibrant SMEs and start-ups, which scarcely even existed in the previous episode. It is this new, dynamic private sector, and not aid from overseas, that will provide, through taxation, the resources to build the health and education infrastructure in the Africa of tomorrow. Failure at this task would make the continent once again dependent on aid from the West and, increasingly, from China—aid that we know is too often resented even by its recipients. Yet failure cannot be ruled out.

A third is that the present crisis is also an opportunity that must be seized to make Africa once and for all independent of oil, an opportunity to build the world's first decarbonized regional economy, based on hydropower and a largely decentralized solar. This new energy model has the potential to fuel Africa's competitiveness for decades to come, to secure its independence from fluctuations in oil prices, to reduce corruption, and to economize massively on foreign-exchange outflows. It will allow for the siting of energy-intensive installations across the continent and may even transform the Maghreb into an important source of green power for Europe.

A fourth and final certainty is that investing in Africa's transformation is both within Europe's means and in its economic and geopolitical interest. To shirk this task would only sow the seeds of a devastating political and cultural crisis, with incalculable long-term consequences.

But for Europe to bear this burden on its own, without the full and willing participation of China, would be tantamount to, as we French say, "working for the king of Prussia"—a hard and thankless undertaking for which others would reap most of the benefit. The responsibility on China's shoulders to participate fully in resolving Africa's crisis is immense, but fortunately so is its potential to contribute. China is destined to remain a leading creditor to Africa, as well as a massive public investor and key trading partner. For decades to come, African economic expansion without China as a partner will be just as unimaginable as that of the recent past decades would have been without Europe.

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JEAN-MICHEL SEVERINO is the CEO of Investisseurs & Partenaires. He previously served as vice-president for Asia at the World Bank and as director-general of the French Development Agency.