

# Virus offers warring parties a ladder to climb down

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The UK woke up on Tuesday reeling from the announcement of a series of measures not just unthinkable in peacetime, but barely imaginable even last week. And we are far from alone — maybe even slightly late to lockdown. Although it remains too early to estimate the full effect of the coronavirus outbreak, it is not too early to realize that the world is going through another defining moment, which will divide our lives into the “before” and “after,” like the Second World War or 9/11.

What do we know so far? We know that the virus is no respecter of regime, rhetoric or region, or of unevidenced conspiracy theories. Democratic, authoritarian, or anything in between — all are regarded the same by this silent murderer.

We know we need greater preparedness and collegiality. States mostly put off until tomorrow the dreadful consequences of cost and alarm for events like pandemics, which are predictable but uncertainly timed. We are going to have to work more closely together, noting who has handled things more effectively than others, and learn from them, with humility and accountability, but without blame — otherwise things will remain hidden.

We know that, by and large, humanity responds positively. Lockdowns seem to be working because people are responding to them; though exceptions still tend to prove the rule. And some-



UN Secretary-General Antonio Guterres.

times humanity responds in a breathtaking fashion, which suggests why we ultimately survive: From the heroics of medical staff risking their lives, and dying, in fighting the disease to those who refuse to let isolation equate to being alone, and sing their hearts out together from the balconies

and rooftops of the world.

As of now, we do not know the extent of the economic recession to come, but it is likely to be historically unrivalled since the Industrial Revolution. We do not know if states will recognize the urgent and growing demand for a coordinated international

response. The G20 could and should step up by the Riyadh meeting in November.

We do not yet know the impact on domestic politics around the world, such as if the US presidential race will be determined solely by this crisis. We do not know if authoritarian regimes will use the

## In It Together: Protecting the Health of Africa's People

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The growing presence of COVID-19 in sub-Saharan Africa threatens the same human costs as elsewhere in the world. The economic costs could be just as devastating.

### Sweeping measures

For their part, countries in sub-Saharan Africa are acting decisively, taking sweeping measures to halt the advance of the virus, with limits on public gatherings, public safety campaigns, and similar measures.

But we also know that for society's most vulnerable in the region, “social distancing” is not realistic. The notion of working from home is only possible for the few. So, difficult decisions to close borders (to people, but not essential goods) are even more important. All the more so if we are to minimize added strain on already fragile health systems.

From health crisis to global economic crisis  
What began as a health crisis is now a major global economic crisis. We fear African countries will be swept up in that.

A decade ago, the region was spared the brunt of the global financial crisis. Lower debt levels meant most countries had room to increase spending and they were able to implement counter-cyclical policies. Countries were also less integrated with global financial markets and that meant being cut off from financ-



ing was harmful for only a handful of countries.

Neither of those conditions apply today. Many countries in sub-Saharan Africa have limited room in their budgets to increase spending. They also rely more on global capital markets.

### This time will be different

The pandemic will have a substantial economic impact on sub-Saharan Africa, in three ways.

One: the very measures that are crucial to slowing the spread of the virus will have a direct cost on local economies. The disruption to people's daily lives means less paid work, less income, less spending,

and fewer jobs. And, with borders closed, travel and tourism are quickly drying up, and shipping and trade are suffering.

Two, global hardships will spill over to the region. The slowdown in major economies will see global demand fall. Disruptions to production and world supply chains will weigh more on trade. Tighter global financial conditions will limit access to finance. Countries are likely to also see delays in getting investment or development projects off the ground.

Three: the sharp decline in commodity prices will hit oil exporters hard, compounding the first two effects. The price of oil has tumbled to levels not seen in decades. We don't yet know where they will settle, but with oil prices already down by more

than 50 percent since the start of the year, the impact will be substantial. We estimate that each 10 percent decline in oil prices will, on average, lower growth in oil exporters by 0.6 percent and increase overall fiscal deficits by 0.8 percent of GDP.

### Lower forecasts likely

Across the region, growth will be hit hard. Precisely how hard is still difficult to say. But it is clear that our growth forecast in April's regional outlook will be significantly lower.

The slowdown will mean revenues take a hit, just as countries face additional public spending needs.

Yet, now is no time for half measures. Without exception, people's health is the priority and countries

should boost health spending accordingly.

Countries will also need to combat the economic fallout. The right policy prescription will depend on each country's circumstances—the channel through which it is most exposed and the depth of the connections.

While the likely duration of disruption remains unclear, Farr's Law of Epidemics—showing the rise and fall of infections as roughly bell-shaped—gives us some reassurance the shock will pass.

### Fiscal first

Fiscal policy will have to play a leading role in mitigating the shock, with fiscal positions reverting to medium-term paths consistent with