Financialisation, Regionalism and Leadership: Comparing COVID-19 impacts and responses in African and European Unions


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This article examines the ramifications of Covid-19 on the continents of Africa and Europe. No part of the world is immune from the fangs of the Coronavirus pandemic (Covid-19). The majority of human endeavours, especially in the spheres of health, economics and politics, have been suppressed by the Covid-19, whilst regional leaders in Africa and Europe strenuously seek resources to save their peoples from the ongoing crisis. The article compares the effectiveness of responses adopted by both regions in managing the health and economic challenges of the pandemic. The article also discusses the concepts of regionalism and leadership through the prism of a pandemic. Furthermore, the nexus between financialisation and urban realm is explored to assess how the Covid-19 has affected government projects, including open spaces and the environment.

Africa’s responses to the impacts of Covid-19 on health and economics

Notwithstanding the Covid-19 crises, many health systems and structures in Africa are in wobbly and dysfunctional states, thereby already restricting the peoples’ access to quality healthcare in the
regions. Besides Covid-19, there have been high incidents of premature deaths among children suffering from malnutrition and malaria in Africa (World Bank, 2020).

Strategically, the African Commission (2020) has implemented several policies to manage the Covid-19:

(a) a team of medical innovators from Ghana, Guinea, Kenya, Nigeria and South Africa are pioneering diagnostic test kits to be distributed throughout the region;

(b) the African Union (AU) is developing and co-ordinating contact tracing application kits using dynamic data systems;

(c) the AU is creating mobile testing booths and low-cost critical care beds for the regions; and

(d) the AU is planning the construction of a permanent Africa Centre for Disease Control (CDC) with a Chinese government’s loan to manage future outbreaks of the virus across the regions.

Economically, the AU is in dire straits on triple crises:

i) job losses created by reduced oil prices;

ii) socio-economic hardships caused by contracted economies; and

iii) limited disposable incomes affected by high-debt servicing which is estimated at $40 billion annually (CNN, 2020).

Similarly, the depreciation of major currencies in Africa during the pandemic has pushed thousands of peoples out of jobs, with women and children being the hardest hit (Cilliers, 2020). Several African countries have no state-sponsored social schemes similar to those of developed economies to help, for instance, women and children who are socio-economically deprived in times of crisis (UN Secretary-General, 2020).

To revive Africa’s economy post Covid-19, the AU has secured a $160 billion loan package from the World Bank, with a view to creating jobs and employment opportunities throughout the regions (World Bank, 2020). The loan is earmarked for the following projects:

(a) To scale up social-safety-net programmes in 45 African states, and to support with cash families living in chronic poverty conditions in Togo and Niger;

(b) To ensure stability of employment, and promote public works and urban programmes to advance economic growth in low income countries. For example, the World Bank is supporting the manufacture of 2-10 million free masks for the people in Central Africa, as a strategy to generate job opportunities. Another strategy is the Greater Accra Resilient and Integrated Development Project, financed by the World Bank to encourage economic revival in Ghana. This has been replicated in Ethiopia and Kenya, amongst other places.

Furthermore, the World Bank has launched the Development Policy Budget Support for 20 states of Sub-Saharan Africa to help them manage the fiscal impacts of the pandemic. Thus, on 25 August 2020, the World Bank approved 17 Covid-19 specific Development Policy Operations in Sub-Saharan Africa for $ 2.9 billion; with $2.6 billion provided by the International Development Association (IDA), and $265 million from the International Bank for Reconstruction Development (IBRD) respectively. Temporarily, the loans are helpful to the AU because it will revive economic activities and encourage employment opportunities in the region. However, these loans have adverse
implications, too. First, the loans will attract high interest rate which will restrict Governmental disposable income to undertake socio-economic projects. Second, with limited disposable income, African economies will decline further and undercut human livelihoods.

**An overview of European Union’s response**

Unlike the Ebola and SARS that blighted many parts of Africa, Covid-19 has ravaged the European Union with dire economic and health ramifications (EC Commission, 2020). Ursula von der Leyen, President of the European Commission and Stella Kyriakides, European Commissioner for Health and Food Safety adopted the following measures. Firstly, the EU co-ordinated national health policies by pooling resources, formulating EU-wide laws and standards to help member states manage the pandemic. Secondly, the EU financed blood plasma collection centres to promote the development of effective treatment for Covid-19 patients. Furthermore, on 28 July 2020, the EU signed a purchase agreement with the Pharmaceutical Company-Gilead – for doses of Remdesivir (a therapeutic drug for Covid-19) to be distributed in member states. Additionally, the EU also implemented the following policies:

(a) the enactment of the Emergency Solidarity Instrument to help states severely affected by the Coronavirus;

(b) the establishment of a dedicated budget towards the development of vaccines and medical supplies for its member states; and

(c) an advance procurement agreement with Sanofi for the purchase of 300 million doses of any future vaccines to treat Covid-19 patients in the regions.

In economic terms, McCarthy argues that ‘the current crisis has now pushed EU into the deepest recession since its foundation with unemployment rates to rise dramatically’ (McCarthy, 2020). As a strategy to restructure the faltering economy in member states (Howie, 2020), the EU Commission and EU Council had earmarked €1.85 trillion budget to revamp economic projects. This budget includes €750 billion in grants and loans to stimulate the continent’s troubling economies with Italy and Spain being the chief recipients. There is also an extra seven-year budget worth €11 trillion to further boost socio-economic projects across the continent, alongside €360 billion in low-interest rate loans to support private businesses in poor member states, such as Croatia, Portugal, Romania, Poland, Lithuania and Hungary. Finally, the budget will also provide small and medium sized businesses with free grants to re-start economic operations.

This discussion indicates that Covid-19 has affected both the African and European regions, but in different ways; thus, a comparison of the strategies by the AU and the EU is outlined below.

**Comparing the AU and EU’s Strategies in Managing Covid-19**

In terms of managing the Covid-19 pandemic, the AU’s strategy is a fragmented one because it showed little leadership to swiftly coordinate policies, expertise and resources across the regions. For example, the President of Madagascar called on African states to quit the World Health Organization (WHO) because it refused to approve his country’s purported medicine for the treatment of Covid-19 which did not satisfy scientific standards (Reporter, 2020). Furthermore, Matshidiso Moeti, WHO’s representative for Africa, explained that “It took 98 days for Africa to reach the first 100,000 cases of Covid-19, and only 18 days to move to 200,000 cases” (WHO, 2020). Moeti also decried Africa’s failing health system, stating that “A new outbreak of Ebola virus is recurring in Wangata Health Zone, Mbandaka City in the Democratic Republic of the Congo” whilst the authorities tackled the Covid-19 outbreak (WHO, 2020). These factors provide some evidence
that the AU’s leadership during the pandemic was inadequate.

Conversely, in the EU, strategic research activities are being conducted into blood plasmas in selected member states to find a cure for Covid-19 patients. Remdesivir has been widely distributed while financial support was granted to research institutions in the EU to find permanent cure for Covid-19. Collaboratively, the EU engaged partnership arrangements with leading medical institutions, including Oxford University, to work on a Covid-19 vaccine.

Regarding economic differences, the AU’s approach to revamping businesses damaged by the Covid-19 is premised on external sources, mainly World Bank loans. The AU’s reliance on external borrowing to improve the health and economic shocks of Covid-19 is a testament to its limited control over its socio-economic policies. On the contrary, the EU devoted a €1.85 trillion budget towards loans and grants to restructure economic activities across its regions. In Africa, only a limited number of businesses received any state grants/bail-outs.

Furthermore, in Europe, individuals were financially supported during the Covid-19, with many businesses receiving financial bailment and cash payments to stabilise the overall economy. Juxtaposing the strategies adopted by both Unions during Covid-19, it is evidenced that although the AU has limited numbers of infection cases and smaller death rates compared to the EU, the latter managed the pandemic better than the former. A possible justification is that the EU benefits from a rooted spirit of cooperation, which revealed to be important in protecting the wellbeing of the region as a whole. The AU implemented individualistic policies under a feeble leadership. This comparison resonates with the role financialisation in times of crisis.

Financialisation, Urban Realm and Covid-19

Financialisation is a process whereby the financial sector plays a dominant role in restructuring economic activities, at both macro and micro levels (Aalbers, 2016). Covid-19 did not start as a financial crisis, but may end up as one as many businesses in the AU and EU have collapsed in its wake, rendering them unable to pay back their secured-loans. One cardinal function of a central bank during Covid-19 crisis is to economically intervene, with Quantitative Easing (QE) and loans to governments, commercial and investment banks in order to boost economic activities. However, whereas the Africa Central Bank (ACB) is regarded as a ‘fire fighter’ due to its limited capacity to stabilise the regional economic crises; the European Central Bank (ECB) has provided adequate funding to protect economic activities as well as government projects, to help rebuild open spaces and rural developments in Europe (Martinsokoi, 2020).

The role of regionalism and leadership in times of crisis

The concept of regionalism is not new in international relations, but a recurring theme deployed by political actors - the AU and EU in this case - to promote projects or objectives during a crisis like Covid-19. A commentator opines that ‘regionalism is intended to increase the flow of economic or political activity among a group of states in close proximity’ (Milner, 1997). Another view also holds that ‘within regions, states and industries with greater economic powers use their dominance to promote regional prosperity and wellbeing’ (Vayrynen, 2003). These statements reflect the economic power and strategic leadership leveraged by powerful states (in the EU, Germany and France) in managing the Covid-19 on behalf of the EU. The utility of regionalism pales significantly in AU compared to the EU, because neither Nigeria nor South Africa - the big African regional economies-provided the needed leadership to help stem the Covid-19 crises. This discussion underlies the fact that leadership is key to unlocking the gains of regionalism.

Dignity in leadership lies at the forefront of sustainable developments and it involves leaders
recognising their worth by the wellbeing of their peoples. Thus in times of crisis, a leadership with the capacity to organise internal resources and structures, including medical expertise as required by the Covid-19, is essential to promote human health and prosperity (Moyers, 2007). Viewed through the lens of Covid-19, the EU has shown steady leadership by implementing coordinated policies to manage the peoples’ health and economic prosperity; whilst the infection rate is escalating in the AU due to a weakened leadership.

Another trait required of leadership in times of crisis is genuine pride. A genuine pride motivates leaders to work within their powers and organisational structures, using their resources to promote the collective wellbeing of a community. During the Covid-19 pandemic, the AU showed little leadership as it failed to coordinate resources, thereby allowing confusion to replace purpose and hope. The EU Commission successfully negotiated with the President of the EU Council for €1.85 trillion to be distributed as grants and loans, to prop private and public businesses across the continent, whilst the AU looked to the World Bank for loans and debt cancellations. This affirms the view that visionary leadership commands confidence and belief among its people. Undoubtedly, one may be tempted to rehearse the argument that the EU is socio-economically advanced than the AU hence its superior leadership. Much as that remains a fact, it is also true that the AU’s potential to climb onto the world stage as a powerful continent exists, yet it has not yet been developed successfully.

**Final remarks**

This article strengthens the argument that there is no univocal solutions to addressing the multiple problems emanating from the Covid-19 pandemic and its underlining socio-economic challenges. This article contends that the AU, despite having registered limited Covid-19 cases in comparison with the EU, lacks the leadership to effectively steer the continent out of the pandemic. Lastly, the article suggests that for the AU to overcome its challenges, including Covid-19, a visionary political leadership is critical.

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