

Strategic policies adopted by African Union and European Union to revive Member-States' economies post COVID-19 crisis



DOI reference: 10.1080/13673882.2021.00001112

By Felix Nana Kofi Ofori, REACT Humanitarian Network, Oxford, UK

The COVID-19 crisis has reinforced pressures for reform, rather than delay them. The stakes are huge—not just in terms of market competitiveness but also in the well-being of individuals and society at large. The interconnectedness of the world creates an intensive global flow of people, natural resources, environmental pollution and faster spread of diseases, including the COVID-19 virus, across regions; whilst at the same time, the tragedy of COVID-19 has not only exposed human vulnerability and fragility in socio-economic structures of the world, but also induced a sober reflection on a human-nature relationship. During the pandemic, major aspects of socio-economic activities across regions in the world

were stifled and pushed towards collapse; hundreds of thousands of people were decimated, and many more severely distraught and depressed. Although Africa and Europe suffered varying degrees of the pandemic, it is also evident that Europe experienced a huge mortality rate in comparison to Africa, indicating that between both regional blocks, Europe was the harder hit by the pandemic. In that vein, this article seeks to compare the strategic policies adopted by the African Union (AU) and European Union (EU) respectively to revive the socio-economic fortunes of their member-states.

African Union's Strategy to revive its Regional Economy

Resiliency—a region's capability to recover from shocks and adapt flexibly to stressors—not only protects economic and social gains but also facilitates economic transformation and sustainable employment. Access to vaccines is a key factor in the recovery of the economic and social fortunes of Africa; however, the region disproportionately lags with its vaccination programme because of over-reliance on developed states for a donation of vaccines (Africa CDC, 2021). Without good health, no human activity—economic, social, or political—can be realised; thus, it is crucial that the AU redoubles efforts to secure, supply and ensure that populations in Africa are fully vaccinated to take advantage of the opportunities emerging from the green and renewable economies of the 21st Century. As an example, Africa CDC (2021), provides the results of vaccination achieved in the region as follows (as of November 2021):

- Partially vaccinated 52%
- Vaccinated completed 48%
- Vaccines supplied in the region 66,743. 640
- Population covered 0.3%

The data above paints a grim picture of Africa's recovery strategy to improve the socio-economic prosperity of the region post-pandemic, because the majority of the population remains unvaccinated whilst the pandemic rages on throughout the continent, crippling human and commercial enterprises. Similarly, the inter-dependence between poor health and economic stagnation is more pronounced in Africa because of massive job losses; these coupled with dramatic outflows of capital threaten to make at least 150 million people unemployed, thereby disrupting much of the gains achieved in recent years (Lehne, 2021).

To prop up the economic crisis in the region post-pandemic, the African Development Bank (AfDB), has launched a \$3 billion “Fight COVID-19 Social bond” on global capital markets, with a view to raising funds to stem economic distortions across the continent. However, close examination of the strategic policies adopted by the Bank on behalf of the AU, indicates that they are insufficient to address the dire socio-economic challenges in the region. The inadequacies of the strategic policies are thus succinctly phrased: “The continent is projected to grow by 3.4% in 2021 yet the pandemic shock and ensuing economic crisis have had direct implications for budgetary balances and debt balances. The average debt-to-GDP ratio for Africa is expected to climb by 10 to 15 percentage points in the short to medium term. That means serious debt challenges might be looming, disorderly defaults and lengthy resolutions could become a major obstacle to Africa’s progress toward prosperity” (African Economic Outlook, 2021). Undoubtedly, the revival of the regional economy is on a slippery slope, given the insufficiency of the financial package, including escalating debts, bedevilling Africa’s economy. Besides the Bank’s effort to provide a \$3 billion funding to shore up the region’s socio-economic revival, most of the member-states are steeply engrossed in debts with public and private businesses, on the verge of collapsing due to government and employers’ inability to pay employees’ emoluments. With this dismal outlook, the next section examines strategies adopted by the European Union (EU) to spur economic prosperity in member-states.

European Union’s Strategy to Spur Regional Economic Recovery

With determination to build back its competitive clout on the global market, the EU has earmarked a €2.018 trillion budget to help develop member-states expertise in green and digital economies, so as to support them grow and venture into new and lucrative opportunities presented by the climate change agenda. Equally, a recovery plan has been instituted by the EU to provide grants and soft loans to uplift weaker states within the Union, and reposition them as competitors on the global forum, in order to enter new areas of economic opportunities for growth. In that regard, Estonia has received €963.3 million to decarbonise its economy and develop innovative green technologies, such as green hydrogen, with a view to transitioning into a competitive economy capable of promoting its domestic businesses as Small and Medium-sized Enterprises and micro-enterprises across regional frontiers. Similarly, Finland was given €2.1 billion in

loan to embark upon a carbon neutrality scheme by 2035, with the object of decarbonising its industries, renewing the energy mix to achieve low emission, low pollution and phasing out coal mining. Furthermore, the European Centre for Disease Prevention and Control (ECDC) has stated that a total of 814, 783, 603 doses of COVID-19 vaccines have been distributed throughout the region in order to protect the populations against the virus. Out of the approximately 1 billion doses supplied, the breakdown of vaccination is as follows (as of November 2021):

- 609,647,843 are administered
- 8% cumulative uptake of at least one dose in the local EU area
- 4% cumulative uptake of full vaccination in the total population in the EU area

These data indicate a positive sign of determination on the part of the EU to protect the health of the populations as a pre-requisite to venture into, and take advantage, of the copious socio-economies opportunities that are unfolding in the domains of green and digital sectors of the 21st century. Those opportunities partly underlie the EU's institutional recovery and resilience facility (RRF) to support its weaker and fragile economies, giving them opportunity to be adequately repositioned to expand onto the global market post-pandemic. While the EU's revival strategies seemed potent, they are not without shortcomings. For example, it is stated that the green structural economy will take time to materialise, thus the investments being made by the EU in those weaker states might not create a positive outcome but rather economic recession. With that proposition, the next section compares the strategies adopted by the AU and EU to venture into the future more confidently.

A Comparative Analysis of the AU and EU Revival Strategies

On the face of the facts outlined in the discussion above, the AU's strategic policy of \$3 billion spearheaded by the AfDB to achieve socio-economic resilience post-pandemic is haplessly inadequate. This sentiment is shared by the World Bank, which stated that: "Driven by the economic fallout of the COVID-19 pandemic, growth in Sub-Saharan Africa is predicted to fall to -3.3% in 2020, pushing the region into its first recession in 25 years" (World Bank, 2021). Not only is the recession reflecting the AU's insufficient recovery strategy, but also manifesting its dependence on foreign donors without the creative leadership to steer the region into economic sustainability (Ofori and Sarpong, 2020). Africa is 2.97 times

as big as Europe and endowed with every resource that could position the region to become an economic 'paradise'; however as noted, it is also one of the most afflicted regions by the pandemic and poorly strategized to recover socio-economically. The AU's inability to find internal solutions within the region to deal with and improve the populations' welfare renders it a white elephant. Furthermore, amongst the World Bank's response package to spur regional economies to prosperity, only \$50 billion was devoted to Africa. A rough calculation indicates that each of the 54 states in Africa would receive about \$926 million of the Bank's facility, which would further compound the debt crisis among member-states without improving the peoples' socio-economic wellbeing.

Compared to the AU, the EU's strategic policies to revive socio-economic developments in member-states seem more focused and targeted. For example, through a combination of soft loans and grants, Estonia and Finland, which were both severely affected by the pandemic, received €963.3 million and €2.1 trillion to decarbonise industries, wean off coal energy as well as venture into green economic opportunities to reposition themselves competitively on the international markets. This is contrasted with the debt-ridden economies of the AU, which are all vying for the AfDB's revival facility of \$3 billion. Although both member-states of the AU and EU did experience an economic recession during the pandemic, the creative leadership prowess of the EU made it possible for over 65% of the populations to be vaccinated against the virus; thus protecting and strengthening them to be better prepared to engage in new economic activities post-pandemic (Ofori and Sarpong, 2020). Whilst populations in the EU are significantly prepared to take advantage of emerging opportunities in the green and digitised economies, the AU is feebly placed to engage in such openings because of poor infrastructural deficit across the region. Unfortunately, the resurgence of COVID-19 cases across the continent of Africa is matched by the limited supply of vaccines; because the region continues to rely on the magnanimity of the COVAX programme to vaccinate its populations (COVAX is co-led by CEPI, Gavi and WHO alongside key delivery partner UNICEF. In the Americas, the PAHO Revolving Fund is the recognized procurement agent for COVAX).

The repeated failings of leadership in the AU have contributed to undercutting the fragile vaccine schemes being implemented in the region. Whereas the EU has provided some level of stability of leadership in sourcing and supplying

vaccines to tame the pandemic in members-states; the AU Commission (in Addis Ababa, Ethiopia's capital) is engrossed in a war that is further spreading the virus internally among the factions; and externally by those fleeing the war to neighbouring countries. Equally however, the EU is also not without criticism. Some criticisms levelled against the EU are that it is too bureaucratic and authoritative in imposing a one-size "fit all" policies and measures to control the pandemic, whilst others say it has been reckless with spending monies it did not have, thus burdening member-states with high taxes to delay their recovery.

Conclusion

Disproportionately, the EU suffered high mortality death rates compared to the AU during the Pandemic; however, the comparative analysis done in this article suggests that the EU's member-states are strategically positioned to revive the socio-economic wellbeing of their populations. Conversely, the position of the AU with respect to economic recovery looks bleak, because it lags with its vaccination programmes and is deeply steeped in debts, thus pushing the majority of its countries into recession. Post COVID-19 African economic development policy needs, therefore, to be hinged on both improving resiliency and accelerating transformation to realise sustained economic welfare gains. Strategies for resiliency should build on the COVID-19 experience, helping households, communities, and countries to strengthen coping measures that reduce losses thus allowing for a faster recovery, and investing to adapt to and mitigate the effects of future shocks. Adapting to a "new normal" can help resilient countries to grow and transform at a faster pace.

References

Lehne, S. (2011). What the COVID-19 Pandemic Tells Us About Climate Change and Diplomacy, Carnegie Europe.

Ofori, FNK, and Sarpong, D. (2020). Business Geo-politics, Geo-economics and the 4th Industrial Revolution: An Interview with Maxim Shahenkov, *South African Journal of Business Management*, 51(1), a1667.

African Economic Outlook (2021), From Debt Resolution to Growth: The Road Ahead for Africa.

The World Bank in Africa

About the Author

Felix Nana Kofi Ofori is a Legal adviser and trustee with the REACT Humanitarian Network, Oxford, UK. He holds a PhD in International Human Rights and International Economic Law from the University of the West of England, Bristol, UK; and, M.A. in International Law and International Relations, from the Oxford Brookes University, Oxford, UK.