Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 11 | November 2025 -Peer-Reviewed Journal

IMPACT OF CORONA VIRUS PANDEMIC ON THE AFRICAN ECONOMY

Wycliffe Mugun
Department of Economics, Kaimosi Friends University, Kenya,

ABSTRACT
The first case of corona virus disease (covid-19) in Africa was reported in Egypt on February 14, 2020 and to date virtually all countries on the African continent had reported cases totaling to 67,000 with nearly 52% of them in five countries. However, as the pandemic spreads and countries continue to impose containment, the covid-19 pandemic was likely to impact agricultural production and productivity through its disruptive effects on input production and distribution leading to inordinate distortions of the planting calendars. The covid-19 amplified debt vulnerabilities in the region. The main objective of the study was to investigate the impact of corona virus pandemic on the African continent. Before, the crisis, there were five countries case in point; Burundi, Eritrea, Ethiopia, Kenya and Seychelles with debt to GDP-ratios exceeding 50% in 2019.However, this crisis has at the same time exposed critical gaps in the regional health system. In terms of the financing, quality and adequacy of the health system, the region was unfortunately ill-prepared for a pandemic. Most Eastern African economies spend less than USD $ 50 per capita on health, which is less than half of the African average. The study concluded that the corona virus disease has become a severe pandemic and posed many serious challenges at national, regional and global levels. The consequences even if they are difficult to calculate, are expected to be enormous in view of the rapid covid-19 and the drastic measures taken by countries whatever their size worldwide. The study recommends that the African countries should check systematically all suspected cases in order to ensure early detection of the infection and trace as much as possible infection and forestall contacts between infected patients and the healthy population.
KEY WORDS: *Impact, Corona Virus, African Economy*

1.0 INTRODUCTION

The novel coronavirus pandemic is admittedly an infectious and highly virulent pathogen that was first reported in December 2019 and has since spread to 210 nations around the world in just 120 120 days with 4.2 million confirmed with over a quarter a million fatalities by mid-may 2020(covid-19 map-john Hopkins corona virus resource centre,2020).According to Kyalo *et al*(2020) the first case of corona virus disease(covid-19) in Africa was reported in Egypt on February 14,2020 and to date virtually all countries on the African continent have reported cases totaling to 67,000 with nearly 52% of them in five countries; case in point Egypt, South Africa,Morocco,Algeria and Ghana. This terrifying rate of spread for covid-19 makes it the latest global pandemic that has affected the world on an unprecedented scale-severely disrupting international travel, trade and commerce; and thus becoming a subject of highest medical and political attention that is only reminiscent of serious pandemic during the middle ages which ravaged humanity, sometimes changing the course of history and at times, threatening to decimate entire civilizations, Kyalo *et al* (2020).

As we stoically stay optimistic trusting that sooner, Africa shall overcome, most modelling projections seem to indicate that the worst is probably yet to come. This brings forth legitimate fears that the full impacts of covid-19 could undoubtedly translate into negative economic growth, tenuously overstretched healthcare support and a collapse in food systems, (Kyalo *et al* 2020).

Like all other regions of the world, Africa too will be and has already been impacted by wide-ranging disruptions in the international markets which have constrained export of oil and agricultural commodities as well as imports of food stuffs and agricultural inputs. The united nations economic commission for Africa (UNECA) estimates that approximately 29 million Africans will be pushed below the extreme poverty line of USD $ 1.9 and 19 million jobs lost as a result of covid-19,(UNECA,2020). At greater risk will be Africa's agricultural sector which generates approximately USD$ 100 billion or 15% of the continental GDP annually and employs 70% of the total work force

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making it the most important sector for economic development on the continent. Despite the continent only having confirmed a paltry 1.6% of the global covid-19 positive cases to date, its economy and food security situations is likely to be severely negatively impacted. Also the continent is particularly vulnerable to pandemics because of the overdependence on food imports, high poverty rates and low agricultural productivity, Kyalo *et al* (2020).According to UNCTAD (2018), Africa is a net food importer while poverty statistics by (United Nations, 2020) indicates that more 350 million people in Africa live below the extreme poverty line, Kyalo *et al* (2020).

2.0 IMPACT OF CORONA VIRUS PANDEMIC

2.1 Impact on food systems in Africa

The rapid spread of covid-19 has painfully demonstrated how interconnected our global economy is and attendant vulnerabilities to the spread of new infectious diseases and the disruptions that they can cause. The covid-19 pandemic has brought major disruptions to the economic activity across the world(Calderon *et al*,2020).World trade is expected to fall around 13 % to 32 % in 2020 as the covid-19 pandemic disrupts economic activity around the world,(Bekker *et al* 2020).the economic growth in Sub-Saharan Africa will decline from 2.4 per cent in 2019 to -2.1 to -5.1 percent in 2020,the first recession in the region in 25 years,(Calderon, *et al* 2020).In Africa, where economic fortunes of many countries are dependent on agriculture , a cocktail of interrelated effects comprising inter alia low agricultural production, food import/export disruptions, restrictions in labour mobility and potential spikes in the food prices.

2.2 Impact of agricultural production

In the immediate term, the food production situation in Eastern Africa region may stay normal given that production was already on-going, and supply and demand conditions will take time to adjust, Kyalo *et al* (2020).Luckily, the March/April planting season in Eastern Africa case in point, Ethiopia, Uganda, Kenya, Rwanda, and Tanzania was not affected much as most farmers had prepared their land and procured primary inputs before the advent of covid-19.Additionally in the west African countries for example; Ghana, Nigeria, Coted Ivoire, Senegal and Burkina Faso where the planting season was approaching, we also expected minimal disruptions. However, as the pandemic spreads and countries continue to impose containment, the covid-19 pandemic is likely to impact agricultural production and productivity through its disruptive effects on input production and distribution leading to inordinate distortions of the planting calendars. Also, in the event of prolonged disruptions, the pandemic will have adverse effects on the supply chain for fertilizer, seeds and agro-chemicals as a result of shrinking capacity in the manufacture of key chemical components for fertilizers and pesticides, their importation and inland transportation, Kyalo *et al* (2020).

2.3 Economic Impacts

2.3.1 Increased borrowing costs and debt vulnerabilities in the African region

The covid-19 amplified debt vulnerabilities in the region. Before, the crisis, there were five countries case in point;Burundi,Eritrea,Ethiopia,Kenya and Seychelles with debt to GDP-ratios exceeding 50% in 2019.Nevertheles,the pandemic has increased the proportion of countries in the region with debt-to GDP ratios exceeding 50%,(UNECA,2020).

This higher debt has increased debt servicing payments. Recent data shows that for six countries in the region, over 10 % of export revenue and primary income was spent on such payments,(Table 1.)Additionally, an increase in risk aversion in the financial markets has raised borrowing costs for the African countries while public revenues have decreased against a background of sustained public spending to offset the effects of covid-19, (UNECA, 2020).Access to concessional financing and debt service relief would assist countries lower borrowing costs and redirect finances away from debt servicing and towards the health and economic crisis.

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Table 1: National Debt Statistics, Latest

Countries	Government debt in 2019(% of GDP)	Total Debt Servicing (% of Exports and Primary Income)
Djibouti	70.5	57.8
Kenya	60.8	22.6
Burundi	59.4	14
Ethiopia	57.6	20.8
Uganda	40.0	12.2
Rwanda	38.6	12.6
Madagascar	38.4	2.7
Tanzania	38.1	8.4
Comoros	25.3	1.9
Dr.Congo	14.7	2.4

Source: IMF, World Bank

Social Impacts

While this report is largely focused on the economic impacts of the covid-19 crisis, it is important to reflect on the health and social implications for eastern Africa. The pandemic and resulting crisis threaten to reverse some of the regions development gains of the last decade and challenge progress to the SDGS.

2.3.2 Relatively low health impact in the region

From a direct public health perspective, the region continues to be one of the least affected on the continent .As of October 2020, most countries in the region had confirmed infection and death rates significantly below the continental average,(Table 2).This could be partially attributed to the strict containment measures adopted early on by some countries to mitigate the spread of the pandemic and its relatively youthful population.However,the rate of testing is relatively low.

Table 2: Status of Covid-19 as at 7th October 2020

country	Cases per month	Deaths per month	Total cases	Health exp. Per capita	Hospitals beds per 1000
Djibouti	5,489	62	5,423	70	1.4
Seychelles	1,505	0	148	792	3.6
Kenya	736	14	39,586	77	1.4
Ethiopia	696	11	80,003	25	0.3
Madagascar	600	9	16,600	25	0.2
Comoros	565	8	491	58	2.2
Rwanda	376	2	4,873	49	1.6
South Sudan	244	5	2,734		
Somalia	236	6	3,745		0.9
Uganda	199	2	9,082	39	0.5
Dr.Congo	120	3	10,778	19	0.8
Eritrea	112	0	398	33	0.7
Burundi	43	0	514	24	0.8
Tanzania	9	0	509	34	0.7
Eastern Africa	390	6	174,884	41	
Africa	1,141	28	1,528,213	114	1.8

Source: WHO, Our world in data (2020), global health expenditure database (2020), World Health Statistics (2020)

Note: Latest available statistics are health expenditure USD (2017) and resource density (2006-2018).

However, this crisis has at the same time exposed critical gaps in the regional health system.in terms of the financing, quality and adequacy of the health system, the region was unfortunately ill-prepared for a pandemic. Most Eastern African economies spend less than USD $ 50 per capita on health, which is less than half of the African average, (UNECA, 2020).Furthermore, reflecting the relatively low healthcare spending are the low density of public health resources in the region. Seven countries in the region are well below the African average of 1.8 beds, which itself is far from the EU rate of 5.1 beds per 1000 inhabitants, (OECD and EU, 2018).

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Moreover, the shortage of health care workers in most countries (with less than 3 medical doctors per 10,000 inhabitants) is a serious constraint and increases the risk of fatalities in case of an upsurge in infections. Communicable diseases were already the leading cause of deaths in eastern Africa prior to the recent crisis. In 2016, these diseases along with maternal, perinatal and nutrition conditions accounted for more than half of deaths in the region. This rate is likely to increase this year due to covid-19 and due to the diversion of the already scarce medical resources to fight the current pandemic, (UNECA, 2020).Despite these limitations, most countries in the region have, up to this point, effectively avoided the worst predictions for the spread of the virus. Besides, the lockdown restrictions, other measures commonly adopted across the region to flatten the virus include; systematic quarantine of recent travelers and suspected cases, isolation of contacts of the confirmed patients identified through rigorous tracing, expansion of testing and laboratory facilities, establishment of hotlines and call centres,the mandatory of use of facemasks; individual countries have also implemented different measures and taken different approaches to reducing the impact of the pandemic.

3.0 SITUATION WITH COVID 19 PANDEMIC

The covid-19 which originated from Wuhan, China in December 2019, did not spare countries in the Sub-Saharan Africa. The below five countries reported their first confirmed cases of covid-19 almost at the same time in march 2020.almost a year later, these countries have continued to report confirmed cases and fatalities as indicated in Table 3.

Table 3: Status of confirmed and fatality cases across the selected countries

Countries	Date First Case Reported	Total Cases (13th March 2021)	Total Deaths to Date (13th March 2021)
Ethiopia	13th March 2020	174,054	2,540
Ghana	14th March 2020	87,480	679
Kenya	13th March 2020	112,805	1,908
Senegal	2nd March 2020	36,726	955
Uganda	21st March 2020	40,544	334

Source: World Health Organization-WHO

Several measures were instituted by all countries to control the spread of the pandemic. The measures included; lockdowns, working from home, closure of the learning institutions, ban on the passenger flights, dusk to dawn curfews, mandatory wearing of facemasks in public, closure of bars and restaurants, bans on the public gathering among others. This affected the economic activity in various sectors, (AERC, 2021).

According to the AERC (2021), fiscal measures were also implemented to cushion the vulnerable groups and ensure that the health sector is adequately resourced. To cushion the vulnerable groups, social protection programmes were also implemented, including cash transfers and tax reliefs. Further, stimulus packages were implemented including; labour intensive public works programmes especially targeting the youth and urban areas. This increased fiscal pressure at a time when revenue collections were slow.

Also, monetary and financial policy measures were instituted as well as to ensure that there is adequate liquidity in the system, and that financial transactions were safe. This including easing monetary policy with a reduction in the policy rate and lowering the reserve requirement ratio. This also introduced flexibility in loan markets and facilitated mobile money transactions, (AERC, 2021).GDP growth projections were revised downwards for 2020.this reflected the slowed economic activities especially with the lockdowns, movement restrictions and international travel bans. All the selected countries experienced a contraction in quarter 2(Q2) of 2020 as indicated in Table 4.The impact of the pandemic started to be felt significantly in Q2.

Table 4: Growth performance in selected countries

Countries	2017	2018	2019	Q1-2020	Q2-2020	Estimated growth rate of 2020
Ghana	8.1	6.3	6.5	4.9	-3.2	0.9
Senegal	7.4	6.4	5.3	-1.7	-2.5	0.8
Ethiopia	10.2	7.7	9.0			6.1
Kenya	4.8	6.3	5.4	5.2	-5.5	-0.1
Uganda	7.3	6.1	6.7	-6.3	-2.2	-2.1

Source: International Monetary Fund (2021)

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4.0 POLICY RESPONSE TO EASE THE IMPACT OF COVID-19 IN AFRICA

While the threat of potential recession in Africa is vivid mainly through the international trade links, very few countries have the capacity to implement stimulus packages to cushion their economies from such an impending covid-19 global recession, (Gondwe, 2020).Most of the adopted measures including cutting interest rates and the provision of liquidity assistance to cushion households and firms. For the countries with better fiscal policy space, they have also increased their social protection expenditure to effectively cushion the poorest households during the lockdowns.

For example, south Africa has set aside about USD $ 160 million to cushion the vulnerable businesses, about USD$ 8.4 billion for the unemployment insurance fund, tax subsidies for at least 75,000 small and medium enterprises with a turnover of less than USD$ 2.7 million, among other relevant fiscal and monetary policies Senegal has established a Euro 2.1 million response and solidarity fund, force covid-19 as well as a Euro 97.6 million contingency plan to cushion herself from the impacts of covid-19.Furthermore, Egypt, Tunisia and Morocco are set to inject USD$ 6.4 billion, USD$ 0.9 billion and USD$ 1 billion respectively into their economies as part of their economic stimulus packages for enhancing liquidity during covid-19, (UNCTAD, 2020).In addition to the above stimulus packages, table 1 below summarizes specific key monetary and fiscal stimulus packages that have been adopted by some African countries to ease the impact of covid-19 on their economies.

Table 5: Stimulus packages announced by African countries to ease the impact of covid-19

Countries	Jan 1	Interest rate		Fiscal policy	
		Current rate	End of 2nd quarter	Increase in government spending(% of GDP)	Fiscal support through loans & loan guarantees(% of GDP)
Egypt	12.25	9.25	9.25	0.80	0.80
Ghana	16.00	14.50	14.50		
Kenya	8.50	7.20			
Nigeria	13.50	13.50		2.30	7.50
South Africa	6.50	5.25	4.75		

Source: Adopted from Ozili and Arun (2020)

In addition to the above fiscal and monetary policies, multilateral institutions have also put in place stimulus packages that can be easily accessed by all African countries. These covers both loans, emergency response and debt relief. Table 5 below summarizes these measures from the World Bank, EU, African Development Bank (AFDB) and the IMF.

Table 6: Covid-19 Multilateral stimulus packages that benefits African countries

Institution	Policy response
World Bank	The world bank (2020a) announced the availability of USD$ 160 billion which will be available to countries until late 2021.The package is set to enhance the ability of the beneficiary economies in easing the effects of covid-19 on small businesses and the vulnerable population.
African Development Bank	The AFDB has a USD $ 10 billion covid-19 response package in the pipeline of which USD $ 5.5 billion is set for its sovereign operations in the AFDB countries and USD $ 3.1 billion is operations under the African development fund. The bank also launched a USD $ 3 billion fight covid-19 social bond which was allocated to the central banks and official institutions (53%), bank treasuries (27 %) and asset managers (20%).Notably,8% of this social bond is set aside for the African countries.
IMF	The IMF approved USD $2.7 billion for covid-19 related emergency responses in African countries.
European Countries(EU)	The EU announced Euro 3.25 billion covid-19 tool-kit for African countries.
Afrexim bank	The Afrexim bank announced a USD $ 3 billion pandemic trade impact mitigation facility (PATIMFA) to enhance the capacity of African countries in dealing with covid-19 related health and economic impacts. In addition, the bank set aside USD$ 200 million to finance the production of covid-19 equipment and supplies within Africa.

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5.0 CONCLUSIONS AND POLICY RECOMMENDATIONS

5.1 Conclusion

The corona virus disease has become a severe pandemic and poses many serious challenges at national, regional and global levels. The consequences even if they are difficult to calculate, are expected to be enormous in view of the rapid covid-19 and the drastic measures taken by countries whatever their size worldwide. Even if African countries are relatively less affected compared to other regions for now, the spillover effects from global development or broken supply chains may still lead to faltering economic activity. Indeed, the highly dependency of African economies vis-a-vis foreign economies predicts negative economic spin off for the continent, evaluated at an average loss of 1.5 points on economic growth 2020.Covid-19 pandemic has not spared the African continent. Each countries experience will be unique but some common challenges arise. To date, lessons from other regions where the virus is more advanced have been successfully applied. Considerable additional support and solidarity will be needed to remain on this trajectory. Covid-19 cases in Africa are mainly concentrated in six of its 54 countries with infection rates that are still very low when compared to the worst affected countries in Europe, Asia and the Americas.

Overall covid-19 impacts in most African countries are mainly through their linkages with the global economy, particularly trade. Thus, a drop in world demand and the resultant commodity price drops, affecting production and export performance of African countries more than did their own covid-19 control measures. This has affected mainly the commodity exporters, especially those that are involved in key global value chains such as fuel and horticulture exporters. Using estimates of covid-19 related falls in global GDP and fuel prices, the study finds a decline of -1.4% in Africa's income with the worst declines observed in the smaller LDC and SIDC economies. Under the extreme scenario of a severe global recession, the study projects a significant decline in total exports (-16.7%) on average with significant differences across the sectors and among the countries in the region. However, several countries will suffer worst losses in revenues including Nigeria (-11.4%) Egypt (-10.6%) Malawi (-10.2%), Eswatini (-9.3%) and Ethiopia.

5.2 Policy Recommendations

In the short-term African countries should coordinate their health specific responses to arrest the spread of the virus. It should be emphasized that the viral infections are on the rise but only a few countries have the capacity to prevent the worsening of the crisis. Notably, health systems in the region are already overwhelmed with other perennial issues, hence the escalations of the covid-19 cases is likely to put extreme pressure on public health systems.

African countries should also re-examine their respective fiscal and economic policy priorities to enhance health and social support systems, particularly in countries that have failed to implement critical health related lockdowns due to lack of social policy safeguard for both rural and urban populations in the long-term, Africa will need to build productive capacities to address underlying economic vulnerabilities and enhance continental capabilities to manage crises.

-African countries should check systematically all suspected cases in order to ensure early detection of the infection and trace as much as possible infection and forestall contacts between infected patients and the healthy population.

-Also, there is need for reporting of the health statistics and working together with WHO and the African Centres for disease control and prevention, to ensure transparent monitoring of the crisis, and maintain the populations confidence in African public health systems.

-African countries should revise their budget in order to prioritize spending in health care systems including required infrastructure and logistics, purchasing of pharmaceuticals and medical products, equipment and materials.

-Create emergency fund for scaling up social protection, especially targeting informal workers who do not have social protection and may be heavily impacted by the crisis.

-Increase funding for medical research. Experience has shown that between pandemics funds allocated to research and development of vaccines is almost non-existent which inhibits countries capacities to respond during a pandemic.

-Prepare health institutions to take care of different communities affected including women, youth and elderly.

-Renegotiate external debt payment plans and conditions to ensure smooth services of the debt, including suspension of the interest rates payments for the time of the crisis, which are estimated at USD 44 billion for 2020, and possible extensions of plan duration.

-The AUC should coordinate through Africa CDC all efforts to mobilize laboratory, surveillance and other response support where requested and make sure medical supplies go where it is most needed.AUC should also coordinate their diplomatic actions to speak in one voice in international forums as IMF, World Bank, United Nations, G-20, AU-EU meetings and other partnerships.

-Central bank in Africa need to find the right mix of monetary policy tools that will stimulate growth in the economy while the fiscal authorities should do the same using the fiscal tools at their disposal. Social authorities in African countries should ensure that people in local communities have access to effective communication systems so that community members will be able to remotely interact with their family and friends during the crisis as effective communication is proving to be the most important way to inform citizens about the extent of the spread of the corona virus and the measures they can take to protect themselves.

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