**Why invest in poor countries?**

*In normal times the best recipe for a country‘s development is self-help. At present the times are not normal - all countries, rich and poor, are facing a pandemic. For low-income countries self-help is now not an option; they need help.*

Over the past forty years, many low-income developing countries have done pretty well. They have been able to leave poverty behind and joined the ranks of middle-income countries. Some of them even managed to join the growing group of high-income countries (see bar chart). I will soon publish a book about this inspiring development, entitled *Whatever Happened to the Third World.* Never in the world’s history have we witnessed such a rapid and widespread economic growth of low-income countries.

Source: *Whatever Happened to the Third World*

So, it is no surprise that my book radiates an optimistic spirit. However, not all is well. There are still low-income countries having difficulties shedding poverty. And, more troubling, there is an increasing number of so-called failing or failed states where there is hardly or no central authority left, leaving them open to terrorist groups, drug cartels, and criminal organisations, whose destabilising and brutal actions spill over to other countries.

Since we live in a globalised world, what happens in low-income countries -and in failed states for that matter - is of concern to us all. The corona pandemic provides a worrying example. It has affected high-income *and* low-income countries alike. The former have the financial means and health facilities to counter the pandemic, but low-income countries don’t. If left to themselves these countries are unable to stem the pandemic, wiping out what had been achieved by them in income and social welfare terms. No help would also pose a renewed corona threat to rich countries that thought they had slain the pandemic.

In 2002, the *Global Fund* was established to help low-income countries with funds and technical personnel to counter malaria, tuberculosis and AIDS. Rich countries and philanthropists who funded the *Global Fund* can rightly claim that the Fund’s co-ordinated global effort contributed to the containment of these killer diseases. This applies in particular to AIDS, having greatly limited its spread from low-income to - in particular - rich donor countries. In short, a fine example of altruism combined with self-interest.

Let us take sub-Saharan Africa - home to most of the world’s low-income countries - to demonstrate the effects of the coronavirus. So far, more than 20,000 infections have been reported, and the number of new infections is rapidly rising. If measures such as social distancing and lockdowns will not work, between 25% and 80% of a typical Africa population will be infected. Roughly 5% of infected Africans need intensive care, which simply is not available. For example, Uganda has more government ministers than intensive-care beds. And regarding ventilators, counties like Mali and Mozambique have only one ventilator per one million people. In addition, lockdowns won’t work, nor social distancing in slums where the poor live. Most people depend on daily labour to survive. If they cannot work, they can’t eat. As one prime minister sadly observed: ‘If we shut down the cities, we will save people from corona at one end, but they will die from hunger’. So, they must go out to work for their survival. If this is prevented, riots may ensue. South Africa deployed the army to enforce the lockdown there.

The economic fall-out in African countries will be disastrous. They don’t have the funds to invest in social safety nets or in unemployment payments, let alone in stimulating the economy after the pandemic will have been brought under control. African exports are down, as international demand for them is all but gone. Needless to say that tourism, a major source of income, is down as well. Foreign investors are rapidly pulling out from developing countries, including Africa. International investors have already pulled $90 billion out of Africa. Remittances, far more important than foreign investments for many African countries, are drying up as migrant workers in rich countries are losing their job. The result: balance-of-payments problems and a dramatic decrease in African governments’ tax income. It is precisely this income that is needed to invest more in the health sector, social safety nets, and in cash transfers to the poor. Out of a total of 1.3 billion Africans, 400 million live on less than $1,90 per day, and 80% of Africa’s workers don’t receive a regular wage; they try to make a living in the informal sector.

If low-income African countries are not assisted now, all previous economic gains in poverty alleviation, economic growth, schooling and health care will be lost. The result: poverty will deepen; political stability will be under threat, and the coronavirus (and other vices for that matter) will spread from these countries to other continents. So, it is in everybody’s interest to help. To start with, $150 billion is urgently needed to boost health spending, to strengthen financial reserves and fund social safety nets. In early April the IMF has enlarged its lending capacity with $ 1 trillion to help counter the financial costs of the pandemic. The World Bank is releasing $160 billion of emergency and medium-term support to affected developing countries. Also individual countries and philanthropists respond. For example, China is donating millions of test kits to many countries, along with technical advice on how to control the pandemic. Then, take Alibaba’s Jack Ma. He donated 20,000 test kits and 100,000 face masks plus 1,000 protective suits to each African country. Huawei donated many face masks, even to my home country Holland (unfortunately, some did not meet our safety requirements). All this is welcome and very necessary. But we are still in the first, emergency, phase. After the pandemic will be brought under control, more financial help will be needed to help low-income countries recover their economies. The recent G-20, including China, agreed to let indebted nations suspend debt payments to G-20 members for eight months. Given the bleak economic prospects for indebted low-income countries I fear that a new round of debt forgiveness will have to follow. As in past crises, a united global response is the most appropriate. Traditionally, America led the way in addressing global crises. However, the Trump Administration is pulling away from global responsibilities. America even suspended funding the World Health Organisation. Will China take up this global challenge? Or will it be a small group of nations determined to preserve multilateralism and magnanimity which has benefited the world much since the end of World War II? The future will tell.

**Peter de Haan April 2020**