

Africa's Response to COVID-19

Key Messages for IMF and WBG Meetings

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COVID-19 is a global crisis affecting the whole world. As the days go by the impact of the crisis becomes more visible and more general. Though hit later, Africa is already facing a synchronized and deep crisis. At all levels - health, economic, social – institutions are already overstretched. Africa is almost at a sudden stop economically even before the full brunt of the COVID19 reaches its shores. A heavy and durable economic toll, which will threaten progress and prospects, widen inequalities between and within countries, and worsen current fragilities is afoot on the continent. Unmanaged, it will in turn threaten developed countries' recovery. This can be mitigated, but only if we act immediately and collectively.

African leaders and policy makers across the board have met and are working together and have expressed their solidarity with the world and amongst themselves. They have agreed to work in a coordinated manner to address this scourge. Countries thank the international community especially the WBG and the IMF for being forward and for moving to repurpose funding of over \$2.3 billion dollars already. However they ask for accelerated speed and increased scale to match the level of the crisis.

African countries need support in managing the health crisis, and preparing for a durable economic fallout. The measures being taken in Asia, Europe and North America such as physical (social) distancing and regular hand washing are a particular challenge for countries with limited internet connectivity, dense populations, unequal access to water and limited social safety nets. While stimulus measures being put in place across the developed world already amount to over 10 percent of GDP in most countries, and include immediate unemployment benefits, mortgage suspension, loan standstills, food support, tax holidays, bridge financing for large corporates, additional measures for specific sectors - \$500 billion specific stimulus for the US airline sector for example, this is not a possible option for most of the continent.

In line with the steps being taken across the globe, African countries are preparing for the worst effects of this pandemic and ensuing deep recession. Countries like Ghana have extended health insurance to all health workers, Senegal is supplementing nurses' salaries, Kenya has removed the fee on mobile money transfers and Ethiopia has increased the amount of money you can send on these platforms.

Despite all the efforts made, some support is needed and they also call for solidarity and support from the IMF, the WBG, the EU, the AfDB and The G20 leaders as they meet next week to specifically:

1. Support for an immediate and emergency health and human response
 - a. Raising awareness and prevention are the fastest way to flatten the curve. Institutions should support public health campaigns and access to information including through an expedited private sector partnership for internet connectivity to enable economic activity to continue during social distancing measures and to support the effective sharing of information about the pandemic.
 - b. There is a gaping need for additional resources to support Africa's health systems. At least \$15 billion according to WHO is needed to ensure countries can procure the basic materials needed to save lives and, share and promote research, provide vaccines, manufacture, deliver and share emergency services. This will enable countries to focus on managing immediate health requirements. Support should be provided to WHO and

CDC Africa with funds channelled through them, the Global Fund, and GAVI and others.

2. Deliver an immediate, coordinated, and equitable emergency economic stimulus to African governments in their efforts to respond to the COVID-19 pandemic; namely:
 - a. Endorse a complete temporary debt standstill package for two years for all African countries low and middle income included. Many countries, especially in Africa, have lost market access because of the Covid-19 pandemic, and must also confront the consequences of the pandemic which include substantial losses in major revenue sources. These pressures have made debt service unsustainable for most.
 - b. Announce a US\$100 billion to fund the immediate, social safety nets for the most vulnerable, feeding for out of school children, and to protect jobs. As a proportion of GDP this is consistent with measures taken in other regions. A doubling of the access to the Emergency Financing Facility of the IMF could substantially contribute to this objective. Accelerating disbursement of budget support through fast disbursing facilities like the Crisis Response Window, the Global Pandemic Window and reprogramming of regular programs at the WBG and similar measures from the EU and other G20 members bilaterally could provide the additional resources required.
 - c. Support a move to raise Special Drawing Rights Allocations (SDRs) to provide additional liquidity particularly for the procurement of basic commodities, food, fuel, and other essential commodities as well as provide liquidity to the financial sector, private sector, corporates and in particular SMEs over the next two to three years. This could in part also serve as a bridge (SPV) facility for commercial debt servicing.

Countries in return pledge to to build and strengthen systems to fight corruption, enhanced predictability, transparency and accountability of flows so finance ministers can plan effectively and civil society stakeholders can help track fund flows to ensure these reach those most in need expeditiously.

3. Implement emergency measures to protect 30 million jobs immediately at risk across the continent, particularly in the tourism and airline sectors.
 - a. Development Finance Institutions must be called to act counter-cyclically and accelerate support to the private sector, specifically in the pharmaceutical sector and the banking sector, as well as, in light of the looming food crisis, measures to support agricultural imports and exports, the pharmaceutical sector. An extended credit facility, refinancing schemes and guarantee facilities should be used to waive, restructure and provide additional liquidity in 2020 and potentially 2021.
 - b. Relevant institutions, the AfDB, EU, EIB, development banks and others should support a liquidity line available to the private sector operating in Africa to ensure essential purchases can continue and all SMEs dependent on trade can continue to function.
 - c. Similar to what is being done at domestic level, leaders should ensure that national and regional stimulus packages covering private and financial systems include measures to support African businesses though allowing for the suspension of leasing, debt and other repayments to global businesses.

4. Open trade is important now. Effective supply chains and open trade in support of business will be crucial for a recover better strategy and can help safeguard more jobs. Call on countries to keep global trade, green, and humanitarian lines open. Countries call upon the United Nations Conference on Trade and Development, and Economic Commission for Africa, the World Bank Group and to support and help them in their call for countries to: monitor and all partners for support in keeping trade open, support a call to:
 - (a) Urgently suspend tariffs on imports of essential COVID-19 medical supplies;
 - (b) To make a diplomatic case against the imposition of export limits by certain countries on essential COVID-19 medical supplies.
 - (c) Secure trade and humanitarian corridors to allow for continuous trade; Allow for green lanes for agriculture and agriculture related commodities

The case for a temporary across the board debt standstill as requested above

There are at least three justifications for a standstill to allow countries to redirect financial resources towards fighting the pandemic.

1. The shock is global and may soon overwhelm the like IMF, World Bank, and Paris Club. The crisis in developing countries will be so devastating that it will amplify the harm the pandemic is causing in the US, Europe and China.
2. Countries are contending with an exogenous and transitory shock, which merits substantial and unconditional financial assistance. Concerns about moral hazard are outweighed by the urgent need to make sure that a transitory shock does not cause permanent damage. This means avoiding widespread sovereign defaults, contagion and chaos in the sovereign debt markets.
3. Pandemic-related official assistance should not be used to allow private creditors to cash out of their positions.

In the event this is not possible the fall back is the creation of a bridge facility (SPV) to honor the commercial debt.