Common Market for
Eastern and Southern Africa

Macroeconomic Impacts of COVID 19 in Sub-Saharan- Africa

Special Report

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The objective of this paper is to assess the macroeconomic impacts of COVID 19 in Sub Saharan Africa and provide recommendations to face the pandemic crisis in the continent.

In the last few months, a common trend has emerged in many African capitals just like elsewhere. Travelers, for both work and leisure, are cancelling flights; businesses are asking workers to stay home and, in some cases, curtailing employment contracts. A global health crisis that seemingly has not affected Africa as much as China and the Northern countries is becoming a social and economic crisis for Africa and many other low and middle-income countries of the world.

The African economy is "infected." The economic impacts are having dramatic effects on the wellbeing of families and communities. In Africa and other low-income countries, for vulnerable families, lost income due to an outbreak like COVID-19 can translate to spikes in poverty, missed meals for children, and reduced access to basics like health care, water or housing. For Africa and many low- and middle-income countries the spread of COVID-19 is translating into economic impacts that will affect the already most vulnerable populations.

The crisis will affect Africa's growth through domestic and external channels, with a significant impact on the well-being and number of people living in poverty. The most recent forecasts project a GDP contraction in most countries in 2020, the first in 25 years. The UN estimates that nearly 30 million more people could fall into poverty and the number of acutely food-insecure people could significantly increase. The July 2020 start date of trade under the African Free Trade Area Agreement (AfCFTA) may not materialize due to the pandemic, delaying the promise of opportunities for new exports, jobs, investments in infrastructure and financing for Africa's development.

African policy makers and their partners should re-assess the trade-offs between short, medium, and long-term priorities. These and related policy measures will continue to evolve as economies enter the successive phases of crisis-response: surviving the epidemic (ensure adequate resources go to basic needs such as medicine and food, and ensure people's physical and mental health, as well as safety); getting back to normal (support individuals and firms to resume their activities and repair the damage sustained during the pandemic); and re-focusing on the long term (shift resources and attention to long-term development).

The objective of this paper is to assess the macroeconomic impacts of COVID 19 in Sub Saharan Africa and provide recommendations to face the COVID-19 crisis in Africa. The first part of the paper discusses the adverse impacts of macroeconomic supply and demand shocks on growth. The second part discusses the impact on African governments fiscal and debt transactions. The third part discusses Monetary Policy Framework and Covid 19. The fourth part discusses the impact on balance of payments. The fifth part presents Impact of global trade contraction and reshaping of global value chains. The sixth part presents impact on main financial flows. The seventh part discusses the impact on the financial Sector. The eighth part presents Financial Interventions at Continental, Regional level and Country level in some African Countries. Finally, Policy Recommendations to face the COVID-19 crisis in Africa are provided.

1. The Adverse Impacts of Macroeconomic Supply and Demand Shocks on Growth

Africa is confronted with a double supply and demand shock arriving in the following three successive waves. First from the People's Republic of China (hereafter "China"), followed by Organization for Economic Cooperation and Development (OECD) countries (initially Europe, and now the United States), and lastly a likely intra-African wave that may come if African countries fully implement confinement measures. The decline in economic activity and employment in 2020-21 will be determined by the magnitude and the persistence of the shock, the impact of pre-existing crises and vulnerabilities (e.g. conflict and fragility in the Sahel, or locusts in East Africa spreading to other regions) and the response by African governments and businesses.1

A first wave comes from China through weakened trade channels and lower foreign direct investment (FDI) in the immediate term. Some countries do not have alternatives to China as a buyer, nor do they have viable alternatives to their commodities for sources of growth.2

A second wave will arrive from OECD countries, due to the European Union demand slump associated with the lockdown and the halt in tourism. Most small island developing states, and North African countries, as well as several West African economies depend on the EU for at least 50% of their trade. The impact on their informal workers without social and health protection (e.g. in tourism) may be

1 OECD Policy Response to Corona Virus, 7th May 2020
2 Ibid

particularly high.3

Finally, a third wave could come from the shock on internal demand and the slowdown of intra-African trade. The shock to internal demand will be driven by disruptions in household and business spending and will particularly hit countries affected by strict confinement measures. Travel restrictions and eventual business shutdowns to prevent the spread of the disease could also hamper regional sourcing, which currently stands under 15%, and endanger cross-border informal trade, which is estimated at about one-third of Africa's trade.4

Given the rapidly changing situation and high uncertainty, growth forecasts are constantly being updated – unfortunately downward. See below growth forecasts by different institutions. A recession in several African countries – the first in 25 years – is now likely, with rippling effects on already high poverty numbers.

Forecasts of COVID-19 impacts on Africa's GDP growth5

IMF Regional Economic Outlook: Sub-Saharan Africa, 15 April 2020 (IMF, 2020[5])	Growth in sub-Saharan Africa in 2020 is projected at –1.6%, the lowest level on record, a downward revision of 5.2 percentage points compared to six months ago.
World Bank, 9 April 2020 (World Bank, 2020[6])	GDP growth in Sub-Saharan Africa could fall sharply from 2.4% in 2019 to between -2.1% to -5.1% in 2020.
African Union Commission, 6 April 2020 (AUC, 2020[7])	Forecasts show a negative growth from 3.4% to between -0.8% to -1.1%.
McKinsey, 6 April 2020 (McKinsey, 2020[8])	Africa's GDP growth will decrease by three to eight percentage points, from 3.9% in 2019 to between 0.4% and -3.9% in the worst-case scenario.
African Development Bank, 3 April 2020 (Adesina, 2020[9])	Projected GDP growth contraction of between 0.7 and 2.8 percentage points in 2020.

3 Ibid
4 ibid
5 ibid

Oxford Economics, 26 March 2020 (Oxford Economics, 2020[10])	The coronavirus-related knock to economic growth in Africa's three largest economies alone could affect the continent's GDP growth from 3.8% to 2.8%.
Brookings Institute, 18 March 2020 (Coulibaly and Madden, 2020[11])	Africa's GDP growth is expected to fall from 3.5% in 2019 to between 2.5% and 1.5% in 2020.
UNECA April 2020 (ECA, 2020[12])	Africa's GDP growth prospects are likely to drop from 3.2% in 2019 to between 1.8% and -2.6% in 2020 depending on policy response.

2. The Impact on African Governments Fiscal and Debt Transactions

Most African countries lack the fiscal space to respond adequately to the crisis due to low domestic saving rates; low levels of domestic resource mobilization; high illicit financial outflows; capital flight; volatile commodity prices; high fiscal deficits and stagnating official Development assistance. Africa could lose up to 20 to 30%of its fiscal revenue because of the pandemic, which is estimated at 500 billion. Governments will, therefore, have no option than to rely on international markets which may increase their countries debt levels. Debt should be used for productive investment or growth enhancing investments rather than maintaining their spending plans. There is a high probability that many countries could face an implosion in the stock of external debt and servicing costs due to the increase in fiscal deficits as more emphasis will be put to fulfilling social needs including health care system, socioeconomic stimulus to households, SMEs and enterprises. Public spending will be affected due to the scarcity of resources that the COVID 19 crisis will create. Spending in infrastructure development could drop by at least 25% due to lower tax revenues and difficulty in mobilizing external resources.6

3. Monetary Policy Framework and COVID

The following are challenges brought by COVID 19 for monetary policy.7

- Severity and uniqueness of multifaceted shock;
- Shift of priority to crisis management objective instead of price stability objective;

6 African Union " Impact of the Corona Virus (COVID 19) on the African Economy. Pp 19-20
7 IMF " Monetary Policy Frameworks and COVID 19". Presentation made by D. Filz Unsal, in the virtual meeting organized jointly by AUC and ATI on the

- Use of quantitative easing which is unconventional monetary policy.

4. The Impact on Balance of Payments due to Over Dependence on Global Markets for Essential Goods, Inputs, Tourism and Financing

Nearly two thirds of African countries are net importers of basic food, and crisis-induced shortages could severely impact its availability. By June-August 2020, 17 million people are projected to be in a critical food security situation or worse, including 1.2 million in an emergency situation. Overall, the association of the health and security crises could tip more than 50 million people over the edge (currently under pressure) in a food crisis situation. The health crisis will add onto pre-existing food security pressures.8 On the other hand, pharmaceuticals and protective equipment are imported largely from Europe and other COVID-19 affected countries. As global demand for these products sharply rises, the increase in prices can lead to reduced availability for Africa. African countries import around 90% of their pharmaceutical products from outside the continent. There will be inflationary pressures due to supply side shortages of food and pharmaceuticals.

The crisis is already having a significant impact on foreign exchange receipts on tourism and export performance of most countries. Commodity-sensitive economies will suffer the largest disruptions to trade and exchange rate stability. For oil exporters, there will be significant revenue losses due to the recent collapse in oil prices. All these will lead to deterioration of the current account balance in African countries.

5. Impact of Global Trade Contraction and Reshaping of Global Value Chains9

In the short run, the contraction of world trade will affect the productive apparatus of several sectors across the region. African industries import over 50% of their industrial machinery and manufacturing and transport equipment from outside the continent. The most important suppliers are Europe (35%), China (16%) and the rest of Asia, including India (14%). As such, COVID-19-related disruptions in global supply chains, especially from China and Europe, will lead to a decrease in the availability of final and

macroeconomic Impact of COVID 19 Pandemic in Africa. May 27, 2020

8 OECD Policy Response to Corona Virus, 7th May 2020

9 OECD Policy Response to Corona Virus, 7th May 2020

intermediate goods imported to Africa. In the long run, lower value-added sectors such as agribusiness, flowers, or garments may suffer the most from shortages in supply and possible reshoring of production activities closer to final markets. By contrast, sectors that are better integrated within global value chains may recover faster: aeronautics in South Africa, automotive in Morocco, ICT in Tunisia, etc.

The current COVID-19 crisis will likely reshape global value chains, bringing challenges but also opportunities for Africa. Official data show that African producers only source 12.9% of their inputs from within the region, compared with 21.6% in Southeast Asia. Strengthening continental value chains should be a priority given the uncertain global business context, with some multinational enterprises from OECD countries re-examining their supply chain models, possibly moving towards shorter chains and near-shoring approaches. Above all, as the private sector advances its digital transition, it is important for the continent to invest in enhancing essential telecommunication infrastructure, including fibre optics and high-speed Internet, as well as to complete the regulatory (e-commerce) agenda for digital transition. This will be essential for the emergence and expansion of 21st century value chains in the region. In the medium-long term, the effective implementation of the Regional Economic Communities and the AfCFTA will be key to strengthen regional production networks and trade and reduce the continent's vulnerability to external shocks.

6. Impact on Main Financial Flows

The contraction in economic activity will reduce Africa's domestic tax and non-tax revenues and the reduction might be more than proportional with respect to the contraction in GDP. A reduction in economic activity will reduce tax bases, and generally reduce tax-to-GDP ratios. Moreover, public revenues will decline as governments reduce taxes in an effort to encourage an economic recovery, and as tax collections are suspended during the pandemic. This could induce both delays and reductions in taxes collected during 2020. The crisis will also affect non-tax revenues, especially rents from the exploitation of natural resources.

Private savings will also be affected by economic disruptions without income support measures that most governments may find difficult to finance.

Private foreign investment will be affected by economic conditions in both Africa, and in investor countries. If COVID-19 continues to act as a drag on high-income countries, fewer funds will be available for investment in Africa, while persistent – real or perceived – risk and lower growth prospects in Africa will reduce its FDI attractiveness. The OECD expects global FDI flows to fall by more than 30% in 2020, even under the most optimistic scenario. UNCTAD estimates a decline of up to 40% over 2020-21. Portfolio investors in search of safe assets may further increase their sales of African bonds, stock and other financial assets, triggering more capital outflows.10

Remittances could decrease if the economic depression in OECD countries and in oil-producing countries reduces income of the African diaspora. Remittances are the biggest source of external financial flows to Africa (USD 82.8 billion in 2018, compared with USD 55.1 billion in ODA). They represented as much as 5% of GDP in 13 countries. Remittances tend to be far more stable as a source of revenue than other external financial flows having almost consistently increased since 2000. However, the economic recession and confinement measures preventing senders from working and earning money could reduce remittances inflows coming from the African diaspora in the coming months. World Bank estimates that remittances flow to Sub-Saharan Africa will decrease by 23% in 2020, compared to 20% globally.11

The outlook for official development assistance (ODA) and other official flows is uncertain. Going forward, the level of ODA Africans will receive may depend in part on how the pandemic affects donor countries and to what extent the fiscal response to the crisis in OECD countries and beyond will impact aid budgets.

7. Covid-19 and Impact on the Financial Sector12

The following are the possible impacts of COVID 19 on the financial sector:

a. Reduction of bank credit due to both supply and demand factors;
b. Banking sector will likely face elevated credit risk;
c. Reduction in the volume of world trade and trade finance;
d. Increasing risks of SMEs failure;

10 OECD Policy Response to Corona Virus, 7th May 2020

11 OECD Policy Response to Corona Virus, 7th May 2020

12 Making Finance Work for Africa-Webinar Series “ COVID 19-DFI’s Response in Support of the African Financial Sector.

e. Collapse of borrowers' repayment capacity leading to non-compliance with certain prudential ratios;
f. Increase in non-performing loans leading to a reduction in profitability;
g. Drastic drop in capital flows limiting the possibilities of mobilizing additional resources for public spending and for the private sector;
h. Some banking systems may require recapitalization or restructuring.

8. Financial Interventions at Continental, Regional level and Country level in some African Countries

1. Regional and Continental measures13

Name	Policy Measures
The Bureau of the Assembly of the Union	· Agreed to establish a continental anti-COVID-19 Fund to which member states of the Bureau agreed to immediately contribute US $12, 5 million as seed funding. Member States, the international community and philanthropic entities are urged to contribute to this fund and to allocate $4.5 million to boost the capacity of the Africa CDC. • · Called on the international community to encourage open trade corridors, especially for pharmaceuticals and other health supplies. · Urged the G20 to immediately provide African countries with medical equipment, testing kits, protective gear to combat the COVID-19 pandemic and an effective economic stimulus package that includes relief and deferred payments. · Called for the waiver of all interest payments on bilateral and multilateral debt, and the possible extension of the waiver to the medium term, in order to provide immediate fiscal space and liquidity to governments. • · Urged the World Bank, International Monetary Fund, African Development Bank and other regional institutions to use all the instruments available in their arsenal to help mitigate against the scourge and provide relief to vital sectors of African economies and communities.
African Ministers of Finance	Statement co-signed by numerous African finance ministers announced that the continent needs US$100bn to defend healthcare systems and counter the economic shock caused by the disease.

13 African Union " Impact of the CORONA Virus (COVID 19) on the African Economy. Pp26-27

African Development Bank:	AfDB has raised an exceptional $3 billion in a three-year bond to help alleviate the economic and social impact the Covid-19 pandemic will have on livelihoods and Africa's economies. The Fight Covid-19 Social bond, with a three-year maturity, garnered interest from central banks and official institutions, bank treasuries, and asset managers including Socially Responsible Investors, with bids exceeding $4.6 billion.
African Export-Import Bank (Afreximbank):	Has announced a US$3bn facility to help its member countries weather the economic and health impacts of Covid-19. As part of its new Pandemic Trade Impact Mitigation Facility (PATIMFA), Afreximbank will provide financial support to more than 50 nations through direct funding, lines of credit, guarantees, cross-currency swaps and other similar instruments.
Economic and Monetary Commission of Central African States (CEMAC).	The finance ministers have taken the following measures: · Regarding monetary policy and the financial system, it was decided to approve the use of the envelope of $152.345m made available to the Development Bank of Central African States (BDEAC) by the Central Bank of African States (BEAC), for the financing of public projects relating to the fight against the Covid-19 pandemic and strengthening national health systems. · They also recommended to the States to negotiate collectively and to obtain the cancellation of all their external debts to give them budgetary margins allowing them to face at the same time the pandemic of the coronavirus and the revival of their savings on a healthy basis.
Central Bank of West African States (BCEAO	The first three (out of 8) measures taken by the BCEAO include: (i) Increase of countries Central Banks weekly allocation from $680million to $9bn to ensure continued financing of businesses in the Member States; (ii) Inclusion of a of list 1,700 private companies whose effects were not previously accepted in its portfolio. This action will allow banks to access additional resources of $2bn . (iii) Allocation of $50 million to the subsidy fund of the West African Development Bank (BOAD) to allow it to grant an interest rate subsidy and increase the amount of concessional loans it will grant to governments to finance expenditure investments and equipment in the fight against the pandemic.

2. Country Level Financial Interventions in Some African Countries14

Name of Country	Policy Measure
Algeria	Bank of Algeria decided to reduce the rate of compulsory reserve of 10 to 8% and to lower by 25 basis points (0.25%), the key rate of the Bank of Algeria to fix it at 3.25% and this from March 15, 2020.
Cote d'Ivoire	The government announced $200m as a Covid19 response. The establishment of a Fund to boost the economic activities, support affected businesses in order to mitigate jobs cut, etc.
Ethiopia	The government has announced that it has allocated $10 million to the fight against the pandemic and put forward the following three-point proposal on how G20 countries can help African countries cope with the coronavirus pandemic • Calls for a $150 billion aid package -- Africa Global COVID-19 Emergency Financing Package. • Implement debt reduction and restructuring plans, • Provide support to the World Health Organization (WHO) and Africa Centers for Disease Control and Prevention (CDC) to strengthen public health delivery and emergency preparedness on the continent
Equatorial Guinea	The government committed to contribute $10 million to the special emergency fund
Eswatini:	Central Bank of Eswatini announced to reduce the interest rate from 6.5% to 5.5%.
Gambia:	Central Bank of The Gambia decided to reduce the Policy rate by 0.5 percentage point to 12 percent. The Committee also decided to increase the interest rate on the standing deposit facility By 0.5 percentage point to 3 percent. The standing lending facility is also reduced to 13 percent from 13.5 percent (MPR plus 1percentage point).

14 Ibid pp 27-29

Ghana:	Government announced $100 million to enhance Ghana's COVID-19 preparedness and response plan. Bank of Ghana's MPC has decided to lower the Monetary Policy Rate by 150 basis points to 14.5 percent. The Primary Reserve Requirement has been reduced from 10 percent to 8 percent to provide more liquidity to banks to support critical sectors of the Economy. The Capital Conservation Buffer (CCB) for banks of 3.0 percent is reduced to 1.5 percent. This is to enable banks provide the needed financial support to the economy. This effectively reduces the Capital Adequacy Requirement from 13 percent to 11.5 percent. Loan repayments that are past due for Microfinance Institutions for up to 30 days shall be considered as "Current" as in the case for all other SDIs. All mobile phone subscribers are now permitted to use their already existing mobile phone registration details to be on-boarded for Minimum KYC Account.
Kenya	Central Bank of Kenya to help alleviate the adverse effects, the following emergency measures will apply for borrowers whose loan repayments were up to date as at March 2, 2020. · Banks will seek to provide relief to borrowers on their personal loans based on their individual circumstances arising from the pandemic. · To provide relief on personal loans, banks will review requests from borrowers for extension of their loan for a period of up to one year. To initiate this process, borrowers should contact their respective banks. · Medium-sized enterprises (SMEs) and corporate borrowers can contact their banks for assessment and restructuring of their loans based on their respective circumstances arising from the pandemic. · Banks will meet all the costs related to the extension and restructuring of loans. · To facilitate increased use of mobile digital platforms, banks will waive all charges for balance inquiry. · As earlier announced, all charges for transfers between mobile money wallets and bank accounts will be eliminated.
Namibia:	On 20th of March 2020, Bank of Namibia decided to cut the Repo rate by 100 basis points to 5.25 %.
Niger:	The government announced $1.63m to support the Covid19 response.

Madagascar:	Banky Foiben'I Madagasikara (BFM) announced: · Support economic activities by providing banks with the necessary liquidity to finance the economy; · Has injected $111 million beginning of March and will re-inject $53 million at the end of March 2020; · Maintain the availability of foreign currencies on interbank market; · Discuss with banks and financial institutions the impact of the crisis and provide the necessary responses.
Mauritius	The Bank of Mauritius five responses to keep credit flowing to the economy: · Decreased the Key Repo Rate (KRR) by 50 basis points to 2.85 per cent per annum. · A Special Relief Amount of Rs 5.0 Billion through commercial banks to meet cash flow and working capital requirements The central bank cut its cash reserve ratio by a percentage point to 8%; · Released $130 million to fund businesses struggling with the impact of the virus; · Instructed banks to suspend capital repayments on loans for affected businesses; · Eased supervisory guidelines on handling credit impairments; and issued a "savings bond
Morocco:	Bank Al-Maghrib announced the following: · The implementation of the integrated business support and financing program 20, · The fluctuation of dirham from ± 2.5% to ± 5% and decided to reduce the interest rate by 25 percentage points base at 2% and continue to monitor all of these developments very closely. · Exemption of Enterprises from paying contribution to the pension fund (CNSS) and · Debt moratorium as part of measures to offset economic impact of Covid19; $1bn to upgrade health infrastructure and assist affected sectors; · Hassan II Fund and regions to allocate $261m to address the impact.

Rwanda:	The Central Bank announced the following: · Lending facility of around $52 million to commercial banks; · Lowering reserve requirement ratio effective April 1 from 5% to 4% to allow banks more liquidity to support affected businesses; · Allowing commercial banks to restructure outstanding loans of borrowers facing temporary cash flow challenges arising from the pandemic.
Seychelles	The Central Bank of Seychelles (CBS) has announced the following: · Foreign exchange reserve will only be used to procure three items – fuel, basic food commodities and medicines; · Cut the Monetary Policy Rate (MPR) to four per cent from five per cent; · A credit facility of approximately $36 million will be set up to assist commercial banks with emergency relief measures.
Sierra Leone	Central Bank of Sierre Leone took the following actions: · Lower the Monetary Policy Rate by 150 basis points from 16.5 percent to 15 percent. · Create a Le500 Billion Special Credit Facility to Finance the Production, Procurement and Distribution of Essential Goods and Services. · Provide foreign exchange resources to ensure the importation of essential commodities. The list of commodities that qualify for this support will be published in due course. · Liquidity Support to the Banking Sector. ·
South Africa	· South African Reserve Bank undertook the following: · Cut interest rate from 6.25% to 5.25% · The government announced a plan $56.27m to support small businesses during the outbreak

Tunisia	Central Bank of Tunisia decided to: · Provide banks with the necessary liquidity to enable them to continue their normal operations; · Carry-over of credits (principal and interest) due during the period from the 1st March until the end of September 2020. · The possibility of granting new funding to beneficiaries of the deferral of deadlines. • · The calculation and requirements of the credit / deposit ratio will be more flexible.
Uganda:	Bank of Uganda took the following actions: · Intervene in the foreign exchange market to smoothen out excess volatility arising from the global financial markets; · Put in a place a mechanism to minimize the likelihood of sound business going into insolvency due to lack of credit; - Provide exceptional liquidity assistance for a period of up to one year to financial institutions supervised by BoU that may require it; · Waive limitations on restructuring of credit facilities at financial institutions that may be at risk of going into distress
Zambia	Bank of Zambia decided the following: · to increase the limit on agents and corporate wallets: Individuals Tier 1 from 10000 to 20000 per day (K) and maximum 100,000. Individuals Tier 2 from 20,000 to 100,000 per day (k) and maximum 500,000. SMEs and farmers from 250,000 to 1,000,000 per day (K) and maximum 1,000,000; · Reduce interbank payment and settlement system (ZIPSS) processing fees.

9. Policy Recommendations to face the COVID-19 crisis in Africa

To date, thankfully the number of cases and deaths from the coronavirus in sub-Saharan Africa remains relatively low. There is however reason to fear that poorly funded health systems could be quickly overwhelmed if the case count picks up. Policy responses in countries in Asia and Europe that imposed lockdowns earlier point to certain principles that can help in the design of fiscal policies aimed at shielding health systems, firms and households

Although the targeting of policies to address the crisis is important, so too are scale and speed. Many governments in sub-Saharan Africa have put in place measures to contain the spread of the virus, and to provide some support to shield firms and households affected by the economic impacts. However, financing constraints mean that governments currently have limited room to introduce measures to limit the long-term impacts of the crisis. In particular, if governments are unable to provide any kind of compensation to households affected by containment policies, it seems unlikely that all the current stringent measures in place to contain the virus' spread could be maintained. The key policy options to address the crisis are fiscal policy measures, monetary policy measures and the availability of international finance.

A. Fiscal Policy Measures

Fiscal policy has an important role to play across the following three key dimensions.15

(i) Shielding individuals from worse health: Fiscal policy needs to support the overall health system, by allocating significant part of the budget to public health.

(ii) Shielding the incomes and livelihoods of individuals: Financing social protection measures can help individuals to adjust to the economic costs of the crisis. This can be done through support to employers (e.g. exemptions from payroll taxes), but in sub-Saharan Africa social assistance programmes such as cash and in-kind transfers, utility waivers or delivery of schools' meals are likely to have wider reach. Measures to reduce barriers to mobile money transfers can also facilitate remittance flows used to protect the most vulnerable families and communities.

(iii) Shielding firms and the private sector from lasting damage: Certain sectors of the economy are being particularly badly affected by measures taken to 'freeze' the economy. Measures including tax relief, subsidized loans or grants can be used to help avoid bankruptcy and widespread redundancies.

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15 Miller Mark, etal "Financing the Corona Virus Response in Sub-Saharan Africa, Working Paper 579, April 2020 p25

B. Monetary Policy measures

Monetary Policy has the following roles in combating the effects of COVID 19

- Support liquidity and financing conditions to households, businesses and banks, which will help to preserve the smooth provision of credit to the economy.

- Ensuring that all sectors of the economy can benefit from supportive financing conditions that enable them to absorb the Covid-19 shock.

- Ensure flexibility of regulatory framework in order to overcome financing pressure faced by firms and households while also ensuring financial stability

C. Recommendations on international financing to enable more effective responses to the crisis16

a) Facilitate access to foreign exchange through the IMF. The IMF to create a new SDR allocation (of another $1 trillion) to bolster members' foreign exchange reserves, quadrupling the response allocated during the global financial crisis.

b) Use multilateral development banks and a standstill on debt repayments to increase governments' fiscal space by:

   (i) Rethinking the financial policy of MDBs by including callable capital of shareholders rated AAA and AA+ in capital adequacy calculations, and by reforming MDB statutory lending limits. These reforms could expand the headroom of MDBs by up to $1.3 trillion, from current levels of just above $450 billion, across all developing countries. These figures would be equivalent to up to $89.9 billion for sub-Saharan Africa.

   (ii) Mitigating the risks of expanding MDB lending by ensuring strong coordination among the major MDBs, with the explicit support of the G20 and other shareholders.

   (iii) Over the next two years, plan for general capital increases for the MDBs and expand allocations for replenishment rounds of MDBs and vertical funds.

16 Ibid p26

(iv) Freezing debt service payments in 2020 and 2021.

(v) Seeking creative solutions to encourage creditor participation in a standstill. For private creditors, this includes using existing contractual provisions where possible, as well as adopting legal measures to protect sovereign assets from litigation.

c) Increasing financial commitments from bilateral donors to support the overall response through the following:

(i) Donors commit at least 0.7% of their fiscal response to expand ODA budgets.

(ii) Use more flexible and rapid instruments, including channeling resources via providers of budget support and local actors.

d) Use development finance institutions to promote immediate liquidity to protect private sector jobs by:

(i) Allowing for a moratorium on interest and debt repayments.

(ii) Loosening up credit criteria to allow DFIs to take on more risk when supporting countercyclical financing to help economies bounce back.

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