IMPACT OF THE CORONAVIRUS (COVID 19) ON THE AFRICAN ECONOMY
IMPACT OF THE CORONAVIRUS (COVID-19) ON THE AFRICAN ECONOMY
Help prevent the spread of respiratory diseases like COVID-19.

- Avoid close contact with people who are sick.
- Cover your cough or sneeze with a tissue, then throw the tissue in the trash.
- Avoid touching your eyes, nose, and mouth.
- Clean and disinfect frequently touched objects and surfaces.
- Stay home when you are sick, except to get medical care.
- Wash your hands often with soap and water for at least 20 seconds.
I. INTRODUCTION

I.1. Context

After the first infections in China at the end of 2019, the Coronavirus disease (COVID-19) has continued to spread across the world. No continent has been able to escape this virus, which has recorded average mortality of around 2.3% (According to the Chinese Center for Disease Control and Prevention). To date, there have been nearly 54,207 deaths, with more than 1,030,324 people infected and 219,896 recoveries across 204 countries and territories around the world and 2 international conveyances: the Diamond Princess Cruise ship harbored in Yokohama, Japan, and the Holland America’s MS Zaandam cruise ship, worldwide, thus portraying the severity of the virus globally (WHO Situational Report 3 April 2020, 10:00 am GMT).

Declared a pandemic by the World Health Organization (WHO) on 11 March 2020, COVID-19 has become a global emergency, given its impact on the entire world population and the economy. According to scenario simulations of the International Monetary Fund (IMF), global growth could fall by 0.5 for the year 2020. Several other sources are also predicting a fall in global growth due to the direct effects of the COVID-19 outbreak. The global economy may enter a recession at least in the first half of the year 2020, when adding the direct and indirect effects of the crisis (e.g. supply and demand shocks, commodity slump, fall in tourism arrivals, etc.). However, as the pandemic progresses slowly on the African continent, studies by international organizations have less addressed the economic impact on individual African countries. Indeed, Africa is not immunized from Covid19. As of today, according to Covid19 Surveillance Update: 3 April 2020 9:00a.m of Africa CDC, the spread of the virus has reached 50 African Union Member States: 7,028 cases, 561 recoveries and 284 deaths; and is showing no signs of slowing down. Africa, because of its openness to international trade and migration, is not immune to the harmful effects of COVID-19, which are of two kinds: endogenous and exogenous.

- The **exogenous effects** come from direct trade links between affected partner continents such as Asia, Europe and the United States; tourism; the decline in remittances from African Diaspora; Foreign Direct Investment and Official Development Assistance; illicit financing flows and domestic financial market tightening, etc.

- The **endogenous effects** occur as a result of the rapid spread of the virus in many African countries. On one hand, they are linked to morbidity and mortality. On the other hand, they lead to a disruption of economic activities. This may cause, a decrease in domestic demand in tax revenue due to the loss of oil and commodity prices coupled with an increase in public expenditure to safeguard human health and support economic activities.

I.2. Objectives

It is important to assess the socio-economic impact of COVID-19, although the pandemic is at a less advanced stage in Africa, due to its lesser quantity of international migrants’ arrivals relatively to Asia, Europe, and North America and strong precaution measures in some African countries. African economies remain informal and very extroverted and vulnerable to external chocks. In the study, we use a method based on scenarios, to evaluate the potential impact of the pandemic on various dimensions of African economies. Due to the difficulty of quantifying the real impact as a result of the uncertainty, the rapidly evolving nature of the pandemic, and scarcity of the data, our work focuses on understanding the possible socio-economic repercussions in order to propose policy recommendations to respond to the crisis. The lessons learnt from the study will give more enlightenment on the way forward, as the continent is in a critical phase of the implementation of the Continental Free Trade Area (AfCFTA).
I.3. Methodology and Structure

The paper presents the current economic situation of the world and analyses the potential impact on global economy. Based on the description of specific key indicators of the African economy three scenarios are constructed. Afterward, we assess the impact on the African economy for each of the scenarios and present some of key measures taken by selected African Union Member States. The paper ends with a conclusion and key policy recommendations.

II. CURRENT INTERNATIONAL ECONOMIC CONTEXT

The crisis caused by the coronavirus pandemic is plunging the world economy to depths unknown since the Second World War, adding to the woes of an economy that was already struggling to recover from the pre-2008 crisis. Beyond its impact on human health (materialized by morbidity and mortality), COVID-19 is disrupting an interconnected world economy through global value chains, which account for nearly half of global trade, abrupt falls in commodity prices, fiscal revenues, foreign exchange receipts, foreign financial flows, travel restrictions, declining of tourism and hotels, frozen labor market, etc.


The European Union, the United States and Japan account for half of the world’s GDP. These economies are based on trade, services and industries. However, measures to halt the pandemic have forced them to close their borders and drastically reduce economic activities; which will lead to recession in some of these developed economies. The Chinese economy accounts for about 16% of global GDP and it is the largest trading partner of most African countries and the rest of the world. The OECD forecasts a decline in economic growth rates for these major economies as follows: China 4.9% instead of 5.7%, Europe 0.8% instead of 1.1%, the rest of the world 2.4% instead 2.9%, with world GDP falling by 0.412 from the first quarter of 2020. UNCTAD forecasts downward pressure on foreign direct investment from -5% to - 15%. The International Monetary Fund has announced on the 23 March 2020 that investors have withdrawn US$ 83 billion from emerging markets since the start of the crisis.

Graph 1: Distribution of the World GDP between countries and regions

Besides, according to the World Economic Outlook of the IMF, global growth was projected to be 2.5% in 2020, a slight increase compared to 2.4% in 2019, thanks to the gradual resumption of trade and investments. In advanced economies, a slowdown from 1.6% to 1.4% was anticipated, mainly due to the persistent weakness of the manufacturing sector. The OECD downgraded its forecast for the world economy, indicating that
global growth could drop to 1½% in 2020, half the rate projected prior to the virus outbreak. However, although it is difficult to measure the exact impact of COVID-19 on the world economy, some stylized facts can show how the world economy will be affected:

**A considerable tumble in commodity prices.**

Oil prices lost about 50% of their value dropping from US$ 67 a barrel to below US$ 30 a barrel (as the graph shows).

![Graph 2: Oil prices from December 2019 to March 2020](source: OECD (2020))

In response to support crude oil prices hit by the pandemic Coronavirus disease, major oil producers proposed to reduce production, as people consume less and decline in travel. The Oil exporters’ group OPEC agreed to cut supply by 1.5 million barrels per day (bpd) until June and the plan was for non-OPEC states, including Russia, to follow the trend. However, this did not happen as Saudi Arabia on 08 March announced that it would increase production, which escalated oil wars as non-OPEC members retaliated, resulting in tumbling oil prices.

The late 2014 drop in crude oil prices contributed to a significant decline in GDP growth for sub-Saharan Africa from 5.1 percent in 2014 to 1.4 percent in 2016. During that episode, crude oil prices fell by 56 percent over seven months. The current decline in crude oil prices has been far more rapid, with some analysts projecting even more severe price declines than in 2014. Already, crude oil prices have fallen by 54 percent in the last three months since the start of the year, with current prices falling below $30 per barrel. Non-oil commodity prices have also declined since January, with natural gas and metal prices dropping by 30 percent and 4 percent, respectively (Brookings Institution, 2020). Aluminum has also fallen by 0.49%; copper 0.47% and lead 1.64%. Cocoa has lost 21% of its value in the last five days.

Global prices for key food commodities, such as rice and wheat, can also impact African countries. Several African countries are net importers for these products. If the COVID-19 outbreak were to last until end of 2020 or beyond, then the question would be how the prices of these products will evolve (Graph 3).
**Graph 3: Global prices for key food commodities, 2005-2019 (base100= year 2005)**

*Source: World Bank Commodity Markets Database, March 2020*

Aviation and travel industry is one of the most affected sector.

Aviation industry revenues were $830 billion in 2019. These revenues were projected at $872 billion in 2020. As the number of new infections continue to surge in every part of the world, governments are working tirelessly to slow the contagion. Many countries have put a halt on long-distance. On 5th March 2020, the International Air Transport Association (IATA) has projected that Covid-19 could seriously disrupt the industry and cause a loss of about US $113 billion. This figure is underestimated as most countries are closing their borders and nobody knows when they will be reopened.

**Graph 4: Aviation Revenues in the world**

Source: UNWTO, 2019

Tourism industry is also facing similar challenges. According to the United Nations World Tourism Organization (UNWTO) latest estimate, there will be an expected fall of between 20-30% that could translate into a decline in international tourism receipts (exports) of between US$300-450 billion, almost one third of the US$1.5 trillion generated in 2019. Taking into consideration the past market trends, it shows that between five and seven years’ worth of growth would be lost because of Coronavirus. The unprecedented introduction of travel restrictions across the world, the international tourist arrivals will fall by 20% to 30% in 2020 when compared with 2019 figures. Many millions of jobs in the industry are at risk of being lost as around 80% of all tourism businesses are small-and-medium-sized enterprises (SMEs). The Hotel and Hospitality Industry would lose 20% of its turnover and this percentage can be as high as 40% to 60% for countries like Cambodia, Vietnam and Thailand (where the sector represents around 20% of the employment). The top tourism destinations in the World are France with around 89 million tourist arrivals per annum, Spain with around 83 million; USA (80 million), China (63 millions), Italy (62 millions), Turkey (46 millions), Mexico (41 millions), Germany (39 millions), Thailand (38 millions), and United Kingdom (36 millions). Tourism together with travel support one in 10 jobs (319 million) in the world and generating 10.4% of world GDP. The lock down in these countries shows hot heavy the impact of Covid19 will be on tourism industry in the world.

**Graph 5: Travel and Tourism in % GDP**

Source: UNWTO, 2020
**Global financial markets are also strongly feeling the adverse effects.**

After the Black Monday episode (March 9), the main stock markets indices have just experienced one of the worst developments in their history in decades. The Dow Jones lost almost 3000 points in one day. FTSE plunged by about 5% and losses are estimated at over US$ 90 billion, to name just two. The banking sector has lost almost 40% of its value in the last month and the trend is still bearish.

### Table 1: Some stock market indices as of March 9, 2020

<table>
<thead>
<tr>
<th>Index</th>
<th>Last</th>
<th>High</th>
<th>Low</th>
<th>Chg.</th>
<th>Chg%</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow 30</td>
<td>20,188.52</td>
<td>21,768.28</td>
<td>20,116.46</td>
<td>-2997.10</td>
<td>-12.93%</td>
<td>16:20:01</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>2,386.16</td>
<td>2,562.98</td>
<td>2,380.94</td>
<td>-324.86</td>
<td>-11.98%</td>
<td>15:59:59</td>
</tr>
<tr>
<td>CAC 40</td>
<td>3,881.46</td>
<td>3,962.01</td>
<td>3,632.06</td>
<td>-236.89</td>
<td>-5.75%</td>
<td>12:35</td>
</tr>
<tr>
<td>DAX</td>
<td>8,746</td>
<td>8,998.00</td>
<td>8,239.50</td>
<td>-485.50</td>
<td>-5.26%</td>
<td>12:34:58</td>
</tr>
<tr>
<td>FTSE 100</td>
<td>5151.08</td>
<td>5,366.11</td>
<td>4,898.79</td>
<td>-215.03</td>
<td>-4.01%</td>
<td>12:34:58</td>
</tr>
</tbody>
</table>

Source: OECD, 2020

**Official China’s Manufacturing Purchasing Managers index**—measures the level of factory activity, based on Bloomberg. The global supply chain experienced severe disruptions from the COVID-19. As indicated by the data and chart in Graph 7, since the commencement of the pandemic COVID-19, output in China drastically fell from 50% in January to end of February 37.5%. This drastic decline in manufacturing has a severe impact on nations as China is the major supply of machinery for infrastructure and automobiles. To prop-up the spread of the disease most factories had to shut down operation.

**Graph 7: Chinese manufacturing purchasing manager’s index**
A rise in global unemployment of between 5.3 million (“low” scenario) and 24.7 million (“high” scenario). The current fragility in the global economy could increase global unemployment by almost 25 million, according to a new assessment by the International Labor Organization (ILO). ILO’s estimate might be based on formal sector employment in the developed countries. According to the most recent estimates, vulnerable employment rate was at 76.6 per cent in Sub-Saharan Africa, with non-agriculture employment in the informal economy representing 66 percent of total employment and 52 percent in North Africa. The vulnerable employment rate was estimated at 76.6 percent in 2014 (ILO, 2015).

Response to the crisis in different countries

Governments around the world are bracing themselves for the impact of an unprecedented crisis. The impact of the pandemics and the containment measures implemented to slow down contagion and “flatten the curve” will inevitably affect levels of economic activity. Differently from previous crisis, the new scenario combines supply and demand side shocks across multiple sectors.

In order to cushion the effect of the crisis on households and firms, governments are designing a wide range of policy responses, including direct income-support, tax breaks extension of guarantees, deferred interest payments on debt. Box 1 illustrates some of the main macroeconomic measures taken at the international level. The OECD has produced a compendium of measures taken by its member countries that is available at: [http://www.oecd.org/coronavirus/en/](http://www.oecd.org/coronavirus/en/)

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**Box 1: Key macro-economic measures taken at international level**

Several countries and economic regions have taken economic and financial measures to contain the Covid-19 while also providing financial support to their economic activities. The Bretton Woods institutions have put in place a fast-disbursing emergency credit and financing facilities to support their Member States. The following summarizes selected measures taken so far at international level as of March 25th, 2020:

**G20:** To inject over $5 trillion into the global economy, as part of targeted fiscal policy, economic measures and guarantee schemes to blunt economic fallout from the pandemic.

**China:** Lower reserves and free up more than $ 70.6 billion to boost the economy and announced aid of 154 billion dollars.
### South Korea
Bank of Korea (BOK) (reduction of interest rate from 1.25 to 0.75%) and 16.7 billion dollars as a response to Covid-19.

### England
The Bank of England (reduction of interest rate from 0.75% to 0.25%) and announced 37 billion as a response to Covid-19

### European Union
The ECB announced Support to EU Economy of 750 billion euros.

### France
announced 334 billion Euro as a response to Covid-19

### Germany
13.38 billion Euro as a response to Covid-19

### United States
The US Federal Reserve has slashed its policy rate by 150 basis points
to a range of 0 – 0.25 percent in the past two weeks and introduced liquidity measures to ease tightening financing conditions and US Federal Government allocated 2000 billion to support SMEs, Household: Family of 4 person $3000; $500 Billion big companies, $50 billion Airline Industry.

### Australia
10.7 billion dollars

### New Zealand
7.3 billion dollars

### World Bank
12 billion dollars

**IMF:** stands ready to mobilize $1 trillion lending capacity to help its members. These instruments could provide in the order of $50 billion to emerging and developing economies. Up to $10 billion could be made available to low-income members through concessional financing facilities, which carry zero interest rates (https://blogs.imf.org/2020/03/16/policy-action-for-a-healthy-global-economy/).
III. ANALYSIS OF THE IMPACT ON THE AFRICAN ECONOMIES

The Covid-19 crisis is affecting the entire world economy and that of Africa. Some key sectors of the African economy are already experiencing a slowdown as a result of the pandemic. Tourism, air transport, and the oil sector are visibly impacted. However, invisible impacts of Covid-19 are expected in 2020 regardless of the duration of the pandemic. To assess, scenarios have been constructed (see annex 1) on the basis of assumptions which takes account of economic, demographic and social constraints.

To assess the impact, the paper considers the following 2 scenarios:

**Scenario 1:** In this first scenario, the pandemic lasts 4 months in Europe, China and America before being brought under control such as follow: December 15, 2019 – 15 March 2020 in China (3 months), February - May 2020 in Europe (4 months), March - June 2020 (US) (4 months) China, Europe and America (USA, Canada and others) over the periods of December 15, 2019 – 15 March 2020 in China (3 months), February - May 2020 in Europe (4 months), March - June 2020 (US) (4 months). Their economies are expected to recover beginning of July 2020. In this scenario, the pandemic will last for 5 months from March - July 2020 before being stabilized (Africa is not very affected, policies and measures put in place to contain as well as partner supports, and medical treatment will cut short the spread of the pandemic.

**Scenario 2:** In this scenario, we consider 3 forms of pandemic occurrence: 4 months (Dec. - March) in China, 6 Months (February-June) in European and American countries and 8 months (March-August) in African countries. In this case, the parameter is the effectiveness of political measures that have been added to the infrastructural capacity to assess the possible duration of the pandemic in the different regions.

III.1 Global Impact on the African Economies

This section assesses the impact of Covid-19 on African economic growth and other specific sectors.

III.1.1. Impact on African Economic Growth

African growth has improved significantly over the decade 2000-2010. After this decade of renewed confidence, doubts have risen on Africa’s ability to maintain sustainably high growth rates. An important reason behind this doubt was the persistent dependence of Africa’s largest economies on global commodity prices.

![Graph 8: Africa’s Economic Growth between 2000 and 2019 AUC (2020)](image)
The reversal in the price of raw materials that started in 2014, put a stop to the episode of unprecedented high growth in the 2000s, since the 1970s. Economic growth thus fell, from +5% on average between 2000 and 2014 to +3.3% between 2015 and 2019. After the short-span time of enthusiasm and euphoria, Africa is once again facing insufficient growth rates to catch up on the economic lag. Yet, the African Union estimated a 7% growth rate for the continent to significantly reduce poverty.

The forecasts with average scenario give a growth of 3.4% in 2020 (AfDB, 2019). However, with the negative impact on key sectors of the economy such as tourism, travel, exports; with falling commodity prices, declining governments’ resources to finance public investment, it would be quasi impossible to achieve this optimistic forecast of growth rates in 2020.

Table 2: Results of the impacts (declines) and estimate growth 2020

<table>
<thead>
<tr>
<th>GDP Growth</th>
<th>Projected growth in 2020 (before the COVID-19 crisis)</th>
<th>S1 impacts (Decrease compared to the value in 2020)</th>
<th>S2 impacts (Decrease compared to the value in 2020)</th>
<th>Medium Scenario impacts (Decrease of compared to the value in 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4%</td>
<td>-0.8%</td>
<td>-1.1%</td>
<td>-0.9%</td>
<td></td>
</tr>
</tbody>
</table>

In the two scenarios, Africa’s growth will drop drastically to negative rates. The initial of the baseline scenario $S_0$ was, without the appearance of the Covid-19, a growth rate of 3.4% to Africa in 2020 (AfDB, 2020). $S_1$ and $S_2$ scenarios (realistic and pessimistic) estimate respective negative economic growth of $-0.8\%$ (a loss of 4.18 pp as compare to the initial projection) and $-1.1\%$ (a loss of 4.51 pp as compare to the initial projection) of African countries in 2020. The average scenario which is the weighted average of the probabilities $P() = 1/2$ and $P() = 1/2$ of the two scenarios and shows a negative growth of $-0.9\%$ (4.49 pp as compare to the initial projection).

The COVID-19 pandemic has hit almost all African countries and appears poised to worsen dramatically. The disruption of the world economy through global value chains, the abrupt falls in commodity prices and fiscal revenues and the enforcement of travel and social restrictions in many African countries are the main causes of the negative growth. Exports and imports of African countries are projected to drop by at least 35% from the level reached in 2019. Thus, the loss in value is estimated at around 270 billion US dollars. To fight against the spread the virus and medical treatment will lead to an increase of public spending in Africa estimated to by at least 130 billion.

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1 The assumption made on the 2 scenarios is that they are equiprobable therefore having the same chance of being realized.
III.1.2. Loss of Activity and Jobs in the African Tourism and Travel Industry

Tourism, an important sector of economic activity for many countries in Africa, will be heavily affected by COVID-19 with the generalization of travel restrictions, closing of borders and social distancing. IATA estimates the economic contribution of the air transport industry in Africa at US$ 55.8 billion dollars, supporting 6.2 million jobs and contributing 2.6% of GDP. These restrictions affect international airlines including African giants Ethiopian Airlines, Egyptair, Kenya Airways, South African Airways, etc. The first effects will result in the partial unemployment of airlines staff and equipment. However, in normal times, airlines transport around 35% of world trade, and each job in air transport supports 24 others in the travel and tourism value chain, which creates around 70 million jobs (IATA, 2020).

A communique from IATA indicated that “international bookings in Africa declined about 20% in March and April, domestic bookings declined about 15% in March and 25% in April. According to the latest data, that Ticket refunds increased by 75% in 2020 compared to the same period in 2019 (01 February - 11 March) “. According to the same data, African airlines have already lost US$ 4.4 billion in revenue by March 11, 2020 due to COVID19. Ethiopian Airlines has indicated a loss of $190 million.

The number of tourists on the continent has continued to grow with an average annual growth rate of 5% in a
constant proportion in recent years. Their number was around 70 million in 2019 and projected at 75 million in 2020 (UNWTO). Travel and tourism are one of the main engines of growth of the African economy, accounting for 8.5% of GDP in 2019 according to the World Tourism and Travel Council (WTTC).

**Graph 11: Tourism revenues in the GDP (%) in some African countries 2019**

For 15 African countries, the tourism sector represents more than 10% of the GDP and for 20 of the 55 African states, the share of tourism in the national wealth is more than 8%. This sector contributes much more to GDP in countries like Seychelles, Cape Verde and Mauritius (above 25% of GDP).

Tourism employs more than a million people in each of the following countries: Nigeria, Ethiopia, South Africa, Kenya, and Tanzania. Tourism employment comprises more than 20 percent of total employment in Seychelles, Cape Verde, São Tomé and Príncipe, and Mauritius. During the past crises, including the 2008 financial crisis and the 2014 commodity price shock, African tourism experienced losses of up to $7.2 billion.

Under the average scenario, the tourism and travel sector in Africa could lose at least $50 billion due to the Covid 19 pandemic and at least 2 million direct and indirect jobs.

**III.1.3. African Exports**

According to UNTACD, for the period (2015-2019), total Africa trade average value was US$ 760 billion per year which represents 29% of Africa’s GDP. Intra-African trade accounts for only 17% of total trade of African countries.

**Graph 12: African Exports (in %)  
Graph 13: Intra regional Exports (in %)**

Source: UNTACD, 2019
Intra-African trade is one of the lowest compared to other regions of the world, at 16.6% of the total. The low levels of industrial transformation, infrastructure development, financial and monetary integration and the tariff and non-tariff barriers, are at the root of this situation. This makes the African economy an extrovert economy and sensitive to shocks and external decisions.

**Graph 14: Trade Partners of Africa**

![Graph showing trade partners of Africa](source)

The continent’s exports are dominated by raw materials, which subjects it to low offers from European, Asian and American industries. The fall in crude oil prices and demand contraction also directly affect the growth of African countries.

Africa’s major trading partners include the European Union, China and the United States. The European Union, through EU due to strong historical ties with the African continent, carries out numerous exchanges, which accounts for 34%. Fifty-nine percent (59%) of North Africa’s exports are to Europe, compared to 20.7% for Southern Africa. China in its industrialization dynamic has for a decade raised the level of its trade with Africa: 18.5% of Africa’s exports are to China. Forty-four percent (44.3%) of Central Africa’s exports are to China, compared to 6.3% for North Africa (AUC/OECD, 2019).

Over a third of African countries derive most of their resources from the export of raw materials. The impressive economic growth of almost 5% experienced by Africa in the 14 years preceding 2014 was mainly supported by high commodity prices. For instance, the late 2014 drop in oil prices contributed to a significant decline in GDP growth for sub-Saharan Africa from 5.1 percent in 2014 to 1.4 percent in 2016. Graph 14 shows the African non-renewable resources exports as a percentage of GDP from 2000 to 2017.

Today, crude oil is facing the biggest demand shock in its history, falling below 30 dollars a barrel, due to the cessation of world trade (which started in China since January) following the Covid-19 pandemic and at the same time the disagreement between Saudi Arabia and Russia. Because of the current oil price drops, the largest disruption to trade will be for commodity-sensitive economies, with Algeria, Angola, Cameroon, Chad, Equatorial Guinea, Gabon, Ghana, Nigeria, and the Republic of the Congo among the most affected. The CEMAC countries will be hit severely by oil price drop, which will exacerbate the shortage of foreign currency and probably strengthen the idea of the devaluation of the CFA. Oil exports range from 3 percent of GDP in South Africa (already in recession and showing a weak growth outlook) to as high as 40 percent in Equatorial Guinea and almost the totality of South Sudan’s exports, and are a key source of foreign exchange earnings. For Nigeria and Angola, the continent’s largest producers of oil, oil revenues represent more than 90% of exports and more than 70% of their national budgets, and the fall in prices will likely hit them in a similar proportion.
The United Nations Economic Commission for Africa (UNECA) estimates the losses linked to the collapse of the prices of the barrel at 65 billion US dollars, of which up to 19 billion US dollars losses are expected in Nigeria. For example, Nigeria has made its budget forecasts for the first quarter based on an assumption of the old price of a barrel at 67 US dollars. This price has now dropped by more than 50% (OECD Development Centre, 2020). The case of Nigeria sums up the situation of the countries depending on oil revenues in particular and raw materials in general, all of which must now reduce their revenues forecast for at least the first two quarters. Estimates show that Angola and Nigeria could together lose up to $65 billion in income. This will have the effect of reducing the foreign exchange reserves of these countries and their ability to implement their development programs with ease, and efforts to reduce poverty will take a hit. Moreover, these countries will need significant resources to fight the Covid-19 pandemic health and economic impact. As of March 4, about 70 percent of the April-loading cargoes of crude oil from Angola and Nigeria were still unsold, and other African oil exporters such as Gabon and Congo also have difficulty finding buyers. South Sudan and Eritrea are also affected by the collapsing trade and broken supply chains in China. China purchases account for 95 percent of all of South Sudan’s exports and 58 percent of Eritrea’s.

Graph 15: African non-renewable resource exports as a % of GDP, 2000-2017

![Graph 15](source: COMTRADE (2019))

Africa’s imports are hit by the Covid-19. The drop-in imports and the shortages of basic consumer goods imported from China have increased inflation in South Africa, Ghana, etc. Rwanda has recently imposed fixed prices for basic food items such as rice and cooking oil. Many small poor importers, traders and consumers in Nigeria, Uganda, Mozambique, and Niger are seriously affected by the crisis as they earn their livelihood trading Chinese products such as textiles, electronics, and householders’ goods.

III.2.4. Africa’s external financing

African economies have always been facing persistent current account imbalances which is mainly driven by trade deficits. As domestic revenue mobilization remains low in Africa, many African countries heavily rely on foreign sources of financing of their current deficits. They include FDI, portfolio investment, remittances, official development assistance, and external debt. However, the anticipated contraction or slowdown in origin countries could lead to a decline of the level Official Development Assistance (ODA), Foreign Direct Investment (FDI), Portfolio investment inflows and Remittances flows to Africa. The potential losses in tax revenues and external financing due to the disruption of economic activities will restraint the capacities of African countries to finance their development and lead to the external value of the local currency falling and a depreciation.
Table 3: External financial inflows

<table>
<thead>
<tr>
<th>Sources of external financing in 2017</th>
<th>Portfolio investment inflows (millions of USD), 2017</th>
<th>Net Official Development Assistance (ODA) inflows (millions of USD), 2017</th>
<th>Foreign Direct Investment (FDI) inflows (millions of USD), 2017</th>
<th>Remittances inflows (millions of USD), 2017</th>
<th>Total financial inflows (millions of USD), 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>57,079</td>
<td>47,780</td>
<td>41,390</td>
<td>77,395</td>
<td>223,644</td>
</tr>
</tbody>
</table>

Source: AUC/OECD, 2019: *Africa’s Development Dynamics 2019: Achieving Productive Transformation*

**Remittances:** Remittances have been the largest source of international financial flows to Africa since 2010, accounting for about a third of total external financial inflows. They represent the most stable source of flows, having nearly consistently increased in volume since 2010. However, with economic activity in the doldrums in many advanced and emerging market countries, remittances to Africa could experience significant declines. Remittances as a share of GDP exceed 5 percent in 13 African countries, and range as high as 23 percent in Lesotho and more than 12 percent in Comoros, The Gambia, and Liberia. Taken together, Africa’s largest economies, Egypt and Nigeria, accounts for 60 percent of Africa’s remittances inflows.

**Foreign Direct Investment:** According to UNCTAD (2019), the flow of FDI to Africa rose to $46 billion despite the global downward, an 11 percent increase after consecutive declines in 2016 and 2017. This upsurge was supported by continued resource seeking inflows, some diversified investments and a recovery in South Africa after several years of low-level inflows. The top 5 recipient countries were in 2017: South Africa ($5.3 billion, +165.8%), Egypt ($6.8 billion, -8.2%); Morocco ($3.6 billion, +35.5%), Congo (4.3 billion, -2.1%); and Ethiopia ($ 3.3 billion, -17.6%). With scenarios of the spread of the pandemic ranging from short-term stabilization to continuation throughout the year, the expected drop of global FDI flows will be between -5% and -15% (compared to previous forecasts projecting marginal growth in the FDI trend for 2020-2021). Based on UNCTAD data, OECD indicated early, signals of possible Covid-19 impact on FDI reinvested earnings in developing countries. More than two thirds of the multinational enterprises (MNEs) in UNCTAD’s Top 100, a bellwether of overall investment trends, have issued statements on the impact of Covid-19 on their business. Many are slowing down capital expenditures in affected areas. In addition, lower profits – to date, 41 have issued profit alerts – will translate into lower reinvested earnings (a major component of FDI). On average, the top 5000 MNEs, which account for a significant share of global FDI, have seen downward revisions of 2020 earnings estimates of 9% due to Covid-19. Hardest hit are the automotive industry (-44%), airlines (-42%) and energy and basic materials industries (-13%). Profits of MNEs based in emerging economies are more at risk than those of developed country MNEs: developing country MNE profit guidance has been revised downwards by 16%. In Africa, this revision amounts to 1%, compared to 18% in Asia, and 6% in LAC (UNCTAD, 2020). Furthermore, there have already been large-scale capital withdrawals from the continent; for example, in Nigeria the All Share Index registered its worst performance for a decade in early March as overseas investors pulled out. Experts estimated that overall Africa could lose up to 15% FDI inflow to the continent.

**Graph 16: FDI flows in Africa**

Graph on the next page
Official Development Assistance: Many African countries are still continuing to heavily rely on official development assistance to finance their development because of their economic conditions. According to OECD data, as at end of 2017, ODA represents 4% and 6.2% of GDP respectively in Central Africa and East Africa. In 12 African countries, ODA inflows in 2017 exceeded 10% of GDP (with 63.5% in South Sudan). ODA made up 9.2% of the GDP of African Low-Income countries (AUC/OECD, 2019). The current economic condition in donor countries could impact the amount of ODA delivered to these countries.

III.1.4. Government revenue, government expenditure and sovereign debt

Since 2006, tax revenues have increased significantly in absolute terms, as African countries have been growing wealthier. Tax revenues increased in absolute terms. The greatest source of tax revenues were tax on goods and services, which accounted for 53.7% of total tax revenues on average in 2017 with VAT alone representing 29.4%. Tax-to-GDP ratio ranged from 5.7% in Nigeria to 31.5% in the Seychelles in 2017. Only Seychelles, Tunisia, South Africa and Morocco had Tax-to-GDP ratio above 25% while the majority of African countries are falling between 11.0% and 21.0%. The average Tax-to-GDP ratio of 17.2% is too low (as compared to Latin American countries (22.8%) and OECD countries (34.2%) (AU/OECD/ATAF, 2019) to finance the basic social services in particular health care with the high probability of spread of the Covid19 in Africa.
Africa could lose up to 20 to 30% of its fiscal revenue, which is estimated at 500 billion in 2019. Governments will have no option than to rely on international markets which may increase 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 systems, socioeconomic stimulus to householders, SMEs and enterprises. Yet one third of African countries are already or about to be at high risk as a result of recent sharp increase of debt levels owing to favorable international (rise of bilateral donors and the non-residents subscriptions to nationally issued bonds on the African market). Debt in many African countries is on concessional terms and multilateral institutions have no other choice than to help countries to secure even easier terms. However, countries with commercial debt from emerging economies will need to refinance in the current economic crisis. According to EIU Viewswire (2020), credit default swap rates on five-year sovereign issues have increased (Angola by 408% year on year in late March, Nigeria’s by 270% and South Africa’s by 101%.

This trend is particularly worrisome since fiscal policy in African countries is highly pro-cyclical, meaning that spending increases in the good times but falls in the bad. Public spending will be affected due to the scarcity of resources that the Covid-19 crisis will create. Spending in infrastructural development could drop by at least 25% due to lower tax revenues and difficulty in mobilizing external resources.

Government expenditure of African countries represent 19% of the continent’s GDP and contributes 20% to annual economic growth. Public spending in Africa is dominated by spending on health, education and defense and security. These 3 areas represent more than 70% of public spending. Government spending to health care system is expected to increase in order to contain the spread of Covid19 and limit the impact on the economy. As a reminder, Ebola claimed 11,300 lives and World Bank estimated an economic loss of $2.8bn, yet the virus hit only Central and Western Africa.

Graph 17: Distribution of public expenditure in the various sectors

Source: AUC, 2020

III.1.5. Other socio-economic Sectors

Employment: While the economic measures are intended to support the formal sector, it is critical to be conscious of the fact that the informal sector in developing countries contributes to about 35 percent of GDP and employs more than 75 percent of the labour force. The size of informality represents nearly 55% of the cumulative gross domestic product (GDP) of sub-Saharan Africa, according to the African Development Bank (2014) even if further studies showed that it ranges from a low of 20 to 25 percent in Mauritius, South Africa and Namibia to a high of 50 to 65 percent in Benin, Tanzania and Nigeria (IMF, 2018). Excluding the agricultural sector, informality represents between 30% and 90% of employment. Additionally, the informal econo-
my in Africa remains among the largest in the world and consists of a kind of social shock-absorber in major African cities. In many African countries, up to 90% of the labour force is in informal employment (AUC/OECD, 2018). Nearly 20 million jobs, both in the formal and informal sectors, are threatened with destruction on the continent if the situation continues. The destruction of value chains, the lockdown of the population and the closing of restaurants, bars, retailers, informal commerce etc. would lead to a disruption in many informal activities. Around 10 associations of informal players in South Africa have made a call for government to provide for a replace revenue for people that cannot work during the period of lockdown. Some countries like Morocco are already setting up mechanisms to support households. Giving the size of the informal sector in Africa, national government should immediately take measures to support people making a living out of it. Supporting the informal sector, not only will ensure effectiveness of measures to limit the spread of the disease and support household consumption but it will also limit the risk of social unrest. In the medium and long run, African governments should support the formalization of informal sector with emphasis on social protection extension to the sector’s workers. In the formal sector, employees of airlines and companies involved in tourism will be the most affected, in the event of non-support from the African Governments.

Overall, Covid19 could have a side effect - possible social unrest associated with containment of Coronavirus. On one hand, a national health emergency could cause people to leave aside their current political grievances (anyone know what the yellow vests are up to in France these days?) – on the other hand, here is a story about 8 health workers massacred in Guinea during the Ebola crisis: https://www.bbc.com/news/world-africa-29256443. Just yesterday we had a story of Kenyan police firing tear gas to clear a market because and forcibly stopping religious gatherings - including firing tear gas into a Catholic church https://www.pulselive.co.ke/news/drama-as-police-storm-churches-lob-teargas-and-order-closure-over-coronavirus-fears/nkwsrxy. In countries with long histories of sectarian violence, this might be worrisome.

**Health care system will face a crisis:** The Covid19 crisis will stretch the-already-poor health systems on the continent. The demand from covid-19 patients will overcrowd the health facilities and patients with high burden diseases like AIDS, TB and Malaria will lack access and/or adequate care and this can result into more morbidity and mortality. In addition, Covid-19 pandemic will ultimately create a shortage of medicines and health equipment. Africa’s biggest suppliers of medicines are the European Union and Asia. However, the drug manufacturing companies in these countries have come to a halt because of the drastic eradication measures taken in the heavily affected countries such as Spain, Italy and France. Therefore, if the pandemic is at its high stage, it will be difficult for these countries to treat their patients. Landry, Ameenah Gurib-Fakim (2020) estimates that African countries will need additional $10.6 billion health spending on the pandemic. The health crisis could have an impact on treating other diseases in Africa. In Europe, governments postponed non-urgent treatments to after the lockdown phase. When Guinea faced the Ebola crisis in 2013-2014, primary medical consultations dropped by 58%, hospitalizations by 54%, and vaccinations by 30%, and at least 74,000 malaria cases did not receive care in public medical centers.

**Security challenges:** The pandemic is likely to pose security challenges in Sahel region, as many of these countries are vulnerable due to conflicts which have generated massive displaced populations. Covid19 came at a time when this region is already facing the daunting challenges of fragility, conflict and violence due to either terrorism, mix of jihadis, community-based militias, bandits, political instability and/or climate change. While national governments and regional institutions are striving curb to the widespread of Covid19, this poses a threat to keeping enforcing security and defense in this region. The recent attack by the Boko Haram armed group in Chad that killed at least 92 soldiers on 25th of March, showed the vulnerability of the region. Furthermore, according to the United Nations (30 March 2020), as of February 2020, 765,000 people were internally displaced and 2.2 million needed humanitarian assistance in Burkina Faso. The spread of the pandemic in this region will make it difficult for security forces, health providers and international relief organizations to provide rescue to local populations.

Africa imports around 90% of its pharmaceutical products from outside the continent, mainly from China and India. Unfortunately, estimates show that the annual earnings from substandard and/or counterfeit drugs were over US$30 billion, according to the World Health Organization 2017 report of fake drugs trade. Africa has
the highest disease burden of communicable and non-communicable disease that contributes to a significant market for the pharmaceutical industry. Therefore, with the establishment of the African Continental Free Trade Area (AfCFTA) and the opening up of a market of over 1.2 billion African market from fake, substandard, and counterfeit products and services. Moreover, the current pandemic has proven to the African continent that it cannot continue to depend on external suppliers for its internal demand in products as strategic as pharmaceuticals. Therefore, countries should use this opportunity to accelerate the implementation of the Pharmaceutical Manufacturing Plan of Africa and the establishment of African Medicine Agency by prioritizing investment for regulatory capacity development; pursuing the efforts towards convergence and harmonization of medical products regulation in RECs; allocating adequate resources for AMA as stipulated by the successive AU Assembly decisions on the matter.

III.2. Impact on the biggest African economies

The top five African economies (Nigeria, South Africa, Egypt, Algeria and Morocco) represent more than 60% of Africa’s GDP. The level of the impact of Covid19 on these 5 economies will be representative for the whole of the African economy. The tourism and petroleum sectors represent on average a quarter (25%) of the economy of these countries.

Graph 18: Oil and tourism sectors (in % GDP) for the Big 5 Economies

Covid19 outbreak has taken a heavy toll on these economies, as most of them have the highest level of infection cases. Growth is expected to drop drastically in all of them. The falling of oil prices will lead to the decline in the prospect of Nigerian and Algerian economies.

The effects of Covid19 on global value chains is affecting Morocco’s automotive industry; representing 6 percent of GDP over the period 2017-2019. The export of phosphates and remittances, which contributes to 4.4 percent and 6 percent of the country’s GDP will also be hit. Egyptian industries that depend on inputs from China and other foreign countries are affected and unable to meet both domestic and international market needs. Tourism sector is seeing a decline with the restrictions that will negatively impact domestic investments and employment in the country. Remittances are one of Egyptian foreign sources of financing. It reached in 2018 over $25.5 billion, compared to $24.7 billion in 2017 while in Nigeria, remittances were US$25.08 billion in 2018, contributing to 5.74 percent of the GDP. Both countries account for more than 60 percent of Africa’s remittances inflows. The Covid19 threatens two main sources of income for South Africa: mining and tourism. The disruption of Chinese market is likely to reduce the demand for South Africa raw materials including iron, manganese and chromium ores to China (which worth an equivalent of 450 million euros exports every year). The country has entered into a recession during the fourth quarter of last year, the current crisis will add on to the already deteriorated public finance and mass unemployment in the country.

III.3. Top Oil producers
The oil countries will have darker economic prospects than the whole continent. African oil and gas exporters did not foresee such a disaster, as hydrocarbon revenues are essential for their budget and to meet their international commitments. Nigeria (2,000,000 barrels / day), Angola (1,750,000 b / d), Algeria (1,600,000 b / d), Libya (800,000 b / d), Egypt (700,000 b / d), Congo (350,000 b / d), Equatorial Guinea (280,000 b / d), Gabon (200,000 b / d), Ghana (150,000 b / d) South Sudan (150,000 b / d), Chad (120,000 b / d) and Cameroon (85,000 b / d) are facing the Covid-19 crisis which is likely to be more serious more than in 2014, during the last oil shock as they have failed to diversify their economies. In 2014, the crude oil price dropped from $110 to less than $60 per barrel and later dropped to less than $40 per barrel in 2015 (CBN, 2015). This implies more than 60% decline in the national income of the net exporting nations.

Their budget deficit will be more than double. Oil price instability has a significant effect on economic growth and exchange rate for Nigeria and indirect impact on inflation through the exchange rate (Akalpler and Bukar Nuhu, 2018). Therefore, oil producers will be at risk of a depreciation of their currencies during this crisis. In particular, the Central African countries which, during these last years, have been under fire of devaluation will be even more tested due to low level of diversification and less strong based economies with petroleum and hydrocarbons being the main source of revenue. Oil accounts for more than half of tax revenue and more than 70% of the national exports of these countries. With the drop-in hydrocarbon prices and the drop-in production due to the closure of certain companies involved in the value chains, revenues related to Oil and other hydrocarbons could drop by at least 40 to 50% on the continent.

The economic crisis is likely to be more serious than that experienced in 2014. The IMF estimates that each 10 percent decline in oil prices will, on average, lower growth in oil exporters by 0.6 percent and increase overall fiscal deficits by 0.8 percent of GDP.

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Oil Price</td>
<td>$93.17</td>
<td>$48.72</td>
<td>$43.58</td>
</tr>
<tr>
<td><strong>Country</strong></td>
<td><strong>Growth</strong></td>
<td><strong>Change (%)</strong></td>
<td><strong>Growth</strong></td>
</tr>
<tr>
<td>Nigeria</td>
<td>6.31%</td>
<td>-3.66%</td>
<td>2.65%</td>
</tr>
<tr>
<td>Angola</td>
<td>4.8%</td>
<td>-3.90%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Algeria</td>
<td>3.79%,</td>
<td>-0.05%</td>
<td>3.76%</td>
</tr>
<tr>
<td>Congo</td>
<td>9.5%</td>
<td>-2.60%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Gabon</td>
<td>4.4%</td>
<td>-0.50%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Chad</td>
<td>1.8%</td>
<td>-8.06%</td>
<td>-6.26%</td>
</tr>
</tbody>
</table>

Oil price dropped from June 2014 to March 2015, owing mainly to increased oil supply in the US and elsewhere and to reductions in global demand. This drop led to both direct effects through trade and indirect effects through growth and investment and changes in inflation. For example, a 30% drop in oil prices (IMF and WB forecast this as the approximate drop between 2014 and 2015) is expected to directly reduce the value of oil exports in sub-Saharan Africa by $63 billion (major losers include Nigeria, Angola, Equatorial Guinea, Congo, Gabon, Sudan), and reduce imports by an estimated $15 billion (major gainers include in South Africa, Tanzania, Kenya, Ethiopia). The trade effects feed through to economies including through current accounts, fiscal positions, stock markets, investment and inflation. The decline of oil price is expected to decrease growth.

An increase in sovereign debt of at least 5 to 10% of GDP is expected in the oil-producing countries. The drop of oil prices and other hydrocarbons will severely reduce fiscal revenues in this sector. Representing a large proportion of fiscal revenues in the top 10 oil producers, hydrocarbon revenues, with the drop in their prices, will have a major impact on the expenditures of African countries. At least 50% drop in oil revenue on the continent is expected.
The petroleum sector represents for the top 10 African oil producers 25% of their overall GDP. Oil, along with other hydrocarbons, makes up more than 20% of the GDP of the top 10 African economies (Nigeria, South Africa, Egypt, Algeria, Morocco, Angola, Kenya, Ethiopia, Ghana and Tanzania). Nigeria could lose up to $19b as the country could reduce its total exports of crude oil in 2020 by between US $14 billion and US$ 19 billion (compared to predicted exports without COVID19).

The results of the calculation based on the scenarios S1 and S2 show that African economies dominated by Oil and Hydrocarbons i.e the group of major oil producing countries will be more affected (-3% of GDP growth in 2020) than the global African economy.
III.4. Impact on top tourism destinations

According to the World Travel & Tourism Council (WTTC), tourism industry contributed to 8.5% (or $194.2bn) of the continent’s gross domestic product (GDP) in 2018. Furthermore, Africa was the second-fastest growing tourism region in the world with 5.6% in 2018 as compared to the average global rate of 3.9%. Out of 1.4 billion international tourist arrivals in 2018, Africa received only 5% according to the United Nations World Tourism Organization (UNWTO).

Top tourism destinations in Africa include Morocco with around 11 million tourist arrivals per annum, Egypt (11.35 millions), South Africa (10.47 millions), Tunisia (8.3 millions) and Zimbabwe (2.57 millions).

**Graph 21: Top Five of the most visited African Countries in 2019 (million)**

Source: UNWTO, 2019

The prospects of Africa’s tourism industry is very strong as compare to other regions in the world. It was projected to increase between 3 % to 5% in 2020. However, with the ongoing restrictions, hotels are laying off workers and travel agencies are closing in many African countries, a negative growth is likely to be expected. The overall impact of Covid19 on the economies of top tourist countries will be much higher than that all African economies. Tourism industry contributed to more than 10 percent of GDP of the following countries: Seychelles, Cape Verde, Mauritius, Gambia, Tunisia, Madagascar, Lesotho, Rwanda, Botswana, Egypt, Tanzania, Comoros and Senegal in 2019. In these countries, economic growth is expected to drop on average to a value of -3.3% in 2020 whereas in countries Seychelles, Cape Verde, Mauritius and the Gambia, the impact will be much higher at least -7% in 2020.

**Graph 22 : GDP growth forecasts for 2020**
III. 5. Economic and Financial measures to mitigate socioeconomic impact

African countries are already experiencing the direct effects (morbidity and mortality) and indirect effects (economic activities-related) of Covid19 and the situation is expected to worsen under any scenario with the pandemic virus already affecting 43 countries on the continent. Many African governments and regional institutions are taking measures to limit the effect of the pandemic on their economies. Some of these measures are summarized in the table below:

<table>
<thead>
<tr>
<th>Countries /Institutions</th>
<th>Government measures (including Central Banks) to mitigate the economic effects of Coronavirus on national economies</th>
</tr>
</thead>
</table>
| The Bureau of the Assembly of the Union | The Bureau:  
• 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. |
| 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. |
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:

- Increase of countries Central Banks weekly allocation from $680million to $9bn to ensure continued financing of businesses in the Member States;
- 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
- 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.

Box 3: Government measures (including Central Banks) to mitigate the economic effects of Coronavirus on national economies

<table>
<thead>
<tr>
<th>Countries /Institutions</th>
<th>Measures/actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>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.</td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>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.</td>
</tr>
</tbody>
</table>
| Ethiopia                | The government has announced that it has allocated $10 million to the fight against the pandemic and put forward a three-point proposal on how G20 countries can help African countries cope with the coronavirus pandemic  
  - 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  
  - 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) |
<table>
<thead>
<tr>
<th>Country</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>The 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. 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 onboarded for Minimum KYC Account.</td>
</tr>
<tr>
<td>Kenya</td>
<td>The Central Bank of Kenya has taken several measures to alleviate the adverse effects of the pandemic. 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.</td>
</tr>
<tr>
<td>Namibia</td>
<td>On 20th March 2020, Bank of Namibia decided to cut the Repo rate by 100 basis points to 5.25%.</td>
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<tr>
<td>Niger</td>
<td>The government announced $1.63m to support the Covid19 response</td>
</tr>
<tr>
<td>Nigeria</td>
<td>All CBN intervention facilities are hereby granted a further moratorium of one year on all principal repayments, effective March 1, 2020. Interest rate reduction from 9 to 5 percent per annum for 1 year effective March 1, 2020. Creation of a N50 Billion targeted credits facility to households and SMEs; Credit support for healthcare industry Regulatory forbearance: All deposit money banks leave to consider temporal and time-limited restructuring of the tenor and loan terms for businesses and households most affected CBN would further support industry funding levels to maintain DMBs’ capacity to direct credit to individuals, households and businesses.</td>
</tr>
<tr>
<td>Madagascar</td>
<td>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.</td>
</tr>
<tr>
<td>Mauritius</td>
<td>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</td>
</tr>
<tr>
<td>Morocco</td>
<td>Bank Al-Maghrib announced the implementation of the integrated business support and financing program 20, the fluctuation 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</td>
</tr>
<tr>
<td>Country</td>
<td>Central Bank Actions</td>
</tr>
<tr>
<td>--------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Rwanda</td>
<td>The Central Bank announced:</td>
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<tr>
<td></td>
<td>• Lending facility of around $52 million to commercial banks;</td>
</tr>
<tr>
<td></td>
<td>• Lowering reserve requirement ratio effective April 1 from 5% to 4% to allow banks more liquidity to support affected businesses.</td>
</tr>
<tr>
<td></td>
<td>• Allowing commercial banks to restructure outstanding loans of borrowers facing temporary cash flow challenges arising from the pandemic.</td>
</tr>
<tr>
<td>Seychelles</td>
<td>The Central Bank of Seychelles (CBS) has announced</td>
</tr>
<tr>
<td></td>
<td>• foreign exchange reserve will only be used to procure three items – fuel, basic food commodities and medicines</td>
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<tr>
<td></td>
<td>• cut the Monetary Policy Rate (MPR) to four per cent from five per cent</td>
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<td></td>
<td>• A credit facility of approximately $36 million will be set up to assist commercial banks with emergency relief measures.</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Central Bank of Sierre Leone</td>
</tr>
<tr>
<td></td>
<td>• Lower the Monetary Policy Rate by 150 basis points from 16.5 percent to 15 percent.</td>
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<tr>
<td></td>
<td>• Create a Le500 Billion Special Credit Facility to Finance the Production,</td>
</tr>
<tr>
<td></td>
<td>• Procurement and Distribution of Essential Goods and Services.</td>
</tr>
<tr>
<td></td>
<td>• provide foreign exchange resources to ensure the importation of essential commodities.</td>
</tr>
<tr>
<td></td>
<td>The list of commodities that qualify for this support will be published in due course.</td>
</tr>
<tr>
<td></td>
<td>• Liquidity Support to the Banking Sector.</td>
</tr>
<tr>
<td>South Africa</td>
<td>South African Reserve Bank cut interest rate from 6.25% to 5.25%</td>
</tr>
<tr>
<td></td>
<td>The government announced a plan $56.27m to support small businesses during the outbreak</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Central Bank of Tunisia decided to</td>
</tr>
<tr>
<td></td>
<td>• Provide banks with the necessary liquidity to enable them to continue their normal operations,</td>
</tr>
<tr>
<td></td>
<td>• Carry-over of credits (principal and interest) due during the period from the 1\textsuperscript{st} March until the end of September 2020. This measure concerns the professional credits granted to customers classified 0 and 1, who request it from banks and establishments financial.</td>
</tr>
<tr>
<td></td>
<td>• The possibility of granting new funding to beneficiaries of the deferral of deadlines.</td>
</tr>
<tr>
<td></td>
<td>• the calculation and requirements of the credit / deposit ratio will be more flexible.</td>
</tr>
<tr>
<td>Uganda</td>
<td>Bank of Uganda:</td>
</tr>
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<td></td>
<td>• Intervene in the foreign exchange market to smoothen out excess volatility arising from the global financial markets;</td>
</tr>
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<td></td>
<td>• Put in a place a mechanism to minimize the like hood of sound business going into insolvency due to lack of credit;</td>
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<td></td>
<td>• Provide exceptional liquidity assistance for a period of up to one year to financial institutions supervised by BoU that may require it;</td>
</tr>
<tr>
<td></td>
<td>• Waive limitations on restructuring of credit facilities at financial institutions that may be at risk of going distress</td>
</tr>
<tr>
<td>Zambia</td>
<td>Bank of Zambia decided to increase the limit on agents and corporate wallets:</td>
</tr>
<tr>
<td></td>
<td>Individuals Tier 1 from 10000 to 20000 per day (K) and maximum 100,000</td>
</tr>
<tr>
<td></td>
<td>Individuals Tier 2 from 20,000 to 100,000 per day (k) and maximum 500,000</td>
</tr>
<tr>
<td></td>
<td>SMEs and farmers from 250,000 to 1,000,000 per day (K) and maximum 1,000,000</td>
</tr>
<tr>
<td></td>
<td>Reduce interbank payment and settlement system (ZIPSS) processing fees.</td>
</tr>
</tbody>
</table>

Source: AUC/AACB, Member States and Central Banks (2020)
IV. CONCLUSION AND RECOMMENDATIONS

IV.1. Conclusion

The Coronavirus 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 spread of the 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 developments or broken supply chains may still lead to faltering economic activity. Indeed, the highly dependency of African economies vis-à-vis foreign economies predicts a negative economic spinoff for the continent, evaluated at an average loss of 1.5 points on economic growth 2020.

Besides, it is practically impossible for the continent to take an economic advantage of the wide spread of Covid-19 in other parts of the world, due to its inability to transform its raw materials to respond to the potential high demand of goods and services of the domestic and international markets. They may act as an additional constraint on Africa’s productive transformation, by making trade in value added more difficult. Regardless of the scenario whether optimistic or pessimistic, Covid-19 will have a harmful socioeconomic effect on Africa.

IV.2. Recommendations

The socio-economic impact of the Covid-19 crisis is real. It is therefore essential to inform the populations on the impact and advice policy-makers in order to better prepare and lessen the adverse impact of the pandemic. In this regard, this paper structures the policy recommendations into two types: i) Those responding to the immediate situation; and ii) those corresponding to the aftermath of the pandemic.

Immediate actions.

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;
- Lockdown all the contaminated populations at home and within country’s boundaries to contain the spread for a short period of time, and assess whether confinement measures should be implemented more broadly;
- Report the health statistics and work together with WHO and the African Centers for Disease Control and Prevention, to ensure transparent monitoring of the crisis, and maintain the population’s confidence in African public health systems;
- Revise their budget in order to prioritize spending in health care systems including required infrastructure and logistics, purchasing of pharmaceutical and medical products, equipment and materials, etc.;
- 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 fund allocated to research and development of vaccines is almost non-existent which inhibits countries’ capacities to respond during a pandemic.
- Work with local community, governments and entrepreneurs to devise a whole-of-government approach beyond the health crisis and taylor solutions for containment and treatment to the local context. Provide financial, access to data, and regulatory support to fast track the scaling up of innovative solutions;
- Promote transparent sharing of information to inform citizens and limit the spread of falsified infor-
\textbf{mation ("fake news");}

- Prepare health institutions to take care of different communities affected, including women, youth, elderly.
- Consider borrowing for emergency funds at the international market to support spending as the commercial interest rate is currently low; and countries may experience a fiscal deficit as a result of the drop in tax revenue and of the high of spending;
- Take economic and financial measures to support enterprises, SME and individuals as a response to temporary jobs cut to safeguard economic activities, such as guarantees to private sector debt.
- Request Central Banks to lower interest rate to increase loans to businesses (and decrease their cost) and provide commercial banks with more liquidity to support business activities. Where necessary, Central Banks should consider revising certain targets (inflation inferior to 3\%) on a temporary basis and due to the emergency situation;
- Waive immediately all interest payments on trade credits, corporate bonds, lease payments and activation of liquidity lines for central banks to ensure countries and businesses can continue the purchase of essential commodities without weakening the banking sector.
- Initiate fiscal stimulus packages to minimize the impact of the coronavirus pandemic on the national economies. Prepare fiscal stimulus to Taxpayers impacted by Covid-19 and consider tax suspension;
- Waive tax payments in critical sectors and local sourcing by the public sector in its response to the crisis would support the SMEs and other businesses
- Renegotiate external debt payment plans, and conditions to ensure smooth servicing of the debt, including suspension of interest rates payments for the time of the crisis, which are estimated at USD 44 billion for 2020, and possible extensions of plan duration;
- Call for a cease-of-fire with rebels and armed groups to ensure there is no distraction in efforts to contain the pandemic. The Covid-19 comes at a point where some of the regions are already facing the daunting challenges of fragility, conflict and violence due to either terrorisms, political instability and/or climate change. For instance, the recent attack by the Boko Haram armed group in Chad that killed at least 92 soldiers on 25th of March.

\textbf{The AUC should:}

- Lead negotiations of an ambitious plan for the cancellation of total African external debt (SUS236 billion). A first order of magnitude is the call by Ethiopia’s Prime Minister Abiy Ahmed for a $150 billion aid package as part of an Africa Global COVID-19 Emergency Financing Package;
- Coordinate through Africa CDC all efforts to mobilize laboratory, surveillance, and other response support where requested and make sure medical supplies go where is most needed.
- Coordinate their diplomatic actions to speak in one voice in international forums as IMF, World Bank, United Nations, G20, AU-EU meetings and other partnerships;
- Coordinate efforts by policy makers, Regional Economic Communities, and the international community to prioritize interventions in most vulnerable countries which are most exposed to external shocks in trade;
- Promote solidarity, cooperation, complementary, mutual supports and peer learning among Member States. Possible actions are, in co-operation with the RECs: set up an observatory on the health and economic front monitoring policy responses to the Covid-19;
- Avert the trade-off in implementing precautionary measures, by making sure that the closure of borders does not trigger a food crisis, especially in West Africa where food supply is becoming scarce and where countries depend on imports of basic foods crops such as rice and wheat from Asia.
- Pay specific attention to the human rights situation of refugees and migrants, where social distancing may be more difficult to implement whereas they are more vulnerable to the crisis; and
- Develop co-ordination mechanisms for identifying and monitoring the spread of the outbreak, mapping out policy responses by individual member states and within RECs, co-ordinating diplomatic action to make Africa’s voice heard on the global stage, in particular for debt relief.
The Regional Economic Communities should:
- Develop co-ordination mechanisms for identifying the spread of the outbreak, map out policy respons-
eses by individual member states within the REC; and
- Where relevant develop jointly the monetary and fiscal policies to increase member states resources and ability to conduct counter-cyclical policies.

Post-pandemic actions

African countries are extremely exposed to external shocks. A paradigm shift is needed in order to change the trade patterns of African countries within themselves and with the rest of world particularly with China, Europe, USA and other emerging countries. Africa should turn the current Covid-19 pandemic into an opportunity to translate the policy recommendations on productive transformation on productive transformation described in the Africa’s Development Dynamics (AfDD) 2019: 2019: Achieving Productive Transformation into a reality in order to create economies that are resilient to external shocks and achieve sustainable development. Therefore, African countries are advised to:
- Diversify and transform their economies by strengthening the productive capacity of African private sector to transform raw materials locally. This will also improve domestic resources mobilization and reduce the continent dependence on external financial flows, which stands at 11.6% of Africa’s GDP compared to 6.6% of developing economies’ GDP;
- Increase agricultural production and enhance the food value chains to meet domestic and continental consumption. Sub-Saharan Africa spent almost US $ 48.7 billion in on food import (US $ 17.5 billion for cereals, US $ 4.8 billion for fish, etc.), part of which could be re-invested into sustainable African farming (FAO, 2019). Tanzania’s effort on self-sufficiency in rice and maize is to be commended and set an example for other African countries.
- Complete the signing and ratification of African Medicine Agency (AMA) and Establish regional public private partnerships to produce medical and pharmaceutical products in order to reduce Africa’s imports and ensure high quality control of the production;
- Set up Innovative ways of spending on health: governments should boost investments that strengthen health systems to enable faster treatment and containment;
- Mobilise sufficient domestic resources for health to enable health systems to meet the needs in health services including elimination of high-burden diseases, prevention and management of outbreak, on the continent;
- Harness digital revolution to transform the African economies to achieve agenda 2063 and address youth unemployment, and make possible the implementation of prevention measures (e.g. teleworking for white collar workers); and
- Accelerate the implementation of the Continental Free Trade Zone and Financial Institutions to achieve industrialization as quickly as possible.

The AUC should:
- Re-inforce the health and social protection systems of African countries;
- Continue promoting productive transformation and private sector development to transform locally African commodities;
- Negotiate with OECD economies that the fiscal stimulus package they implement does not impact globally on restoring Global Value Chains to OECD, thereby undermining African productive transformation strategies;
- Lead the negotiation for addition finding to meet member states’ needs, in particular from IMF, which stands ready to mobilize $1 trillion lending capacity to help its members. These instruments could provide in the order of $50 billion to emerging and developing economies. Up to $10 billion could be made available to low-income members through concessional financing facilities, which carry zero interest rates;
- Making sure a global response is given to coordinate the continuity of financial inflows into Africa,
including remittances, FDI, ODA, portfolio investment, notably by promoting a platform for policy dialogue that gathers African governments, their global partners, as well as private sectors actors who can contribute to advert the health and economic crisis;

- Support countries in their efforts to improve domestic resources mobilization and fight against illicit financial flows to finance its own development; and
- Develop and follow up the productive transformation agenda on the medium-term by Member States;
- Reposition Africa to take full advantage of the changes expected to happen in the aftermath of covid-19 crisis, as major economies will probably diversify their centers of production by shifting at part of them to other regions by equipping youth with skills needed to attract Multinational Enterprises (MNEs) and other global trade players. This has also the benefit of boosting local transformation and effective transfer of technology in the AfCFTA context. The coronavirus has shown the limit of China being the solely global Manufacture hub because of the cheap and qualified labour.
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