

Africa Region

A Framework for Operational Response to the COVID-19 Pandemic and Global Crisis

This Paper seeks to provide an operational framework to guide policymakers and World Bank teams in the Africa Region to respond to the COVID-19 pandemic and the global economic crisis. The content should also be of some value to policymakers battling the COVID-19 challenge in emerging economies elsewhere in the world.

A. Background

The world is going through a crisis of unprecedented proportions. The COVID-19 pandemic has spread across the world. It has already taken a huge toll with 100,000 deaths and more than a million people infected. The number of those infected is likely to be a major underestimation given the lack of widespread testing. At the same time, the economic shutdown across most countries has led to a major supply side shock, causing loss of incomes, disrupting trade and global value chains, and causing shortages of essential goods and services. The loss of incomes, in turn, has led to a major demand side shock which may be even larger than the original supply side shock. This has further accentuated the economic crisis. Latest estimates suggest that the global economy is already in a recession, with global GDP in 2020 projected to decline by about 3 percent.

The situation is still evolving rapidly. There are major uncertainties depending upon the pace and extent of the spread of the coronavirus. As of April 15, 2020, the virus has been known to affect 46 of 48 countries in the Africa Region with more than 8,750 people affected and 200 reported fatalities. The insufficient testing capacity in many countries in the region suggests that these figures understate the true number of infections. The spread of the disease is growing. Models predict much higher levels of infections and fatalities, depending on the containment measures.

The full brunt of the pandemic has still to be felt in the Africa region. But COVID-19 is already taking a toll on African lives and economies. The pandemic will induce Sub-Saharan Africa's first recession in 25 years. GDP growth has been revised sharply downward, from an earlier projected positive 3.1 percent to a range of -2.1 to -5.1 percent in 2020. Economies in Sub-Saharan Africa could lose between \$37 billion and \$79 billion in output in 2020. Decades of economic progress are in peril if the crisis is left unchecked. Given the heterogeneity among the African countries, the impact will be necessarily different across countries.

With the loss of lives and the decline in economic activity, poverty, inequality, and unemployment levels will rise sharply. Even before the crisis, Africa was home to more than half of the world's poorest. This number will likely rise. People already in poverty will sink deeper into destitution. As the crisis is likely to impact hardest upon the poor and the vulnerable, who live in the informal economy, income inequality will also grow. Pre-crisis inequality was already high in many African countries with a median Gini coefficient of 0.43. Gender impacts will be substantial as even more women derive their livelihoods disproportionately from the informal economy. Mobility restrictions combined with economic stress and isolation could increase gender-based violence. The COVID-19 shock could aggravate the already developing food security crisis. Agricultural production is projected to contract between 2.6 and 7 percent. Prospects for achieving the SDGs, already challenging in many areas, will become even more difficult.

African countries are being buffeted by various transmission channels from the global crisis. Commodity exporting countries are seeing large declines in export prices and supply disruptions, adversely impacting balance of payments, budgets and national incomes. Countries with open capital accounts have seen large outflows of capital. Currencies have been under pressure, and significant depreciations have put upward pressure on domestic prices, especially of food imports. Risks of full-blown currency/BOP crises have risen, which would aggravate the downturn and make recovery slower. Disruption of imports, especially of key food items for many import-dependent countries, is also adding to inflationary pressures and threatening food security. Meanwhile, the collapse of tourism, remittances, foreign direct investment, and export revenues is negatively affecting households and firms.

B. The Unique Challenges of Africa

African countries have many distinguishing features that make the potential impacts, possible policy responses, and the path of recovery more difficult. There are at least five major considerations that put the African countries more at risk:

- a. Fragility, Conflict and Violence (FCV). Africa is home to most of the FCV countries. Many subregions such as the Sahel, Lake Chad, the Horn of Africa, and the Great Lakes are home to the poorest and most vulnerable in the world. Some countries are mired in economic crisis, such as Zimbabwe, Sudan and Eritrea while others such as Somalia are coming out of decades of conflict and crisis, and now face another external shock. High levels of domestic inequality in terms of access to assets and to opportunities across ethnic divides and subregions within countries make any income shock risk even more destabilizing. All of the economic and health impacts are further exacerbated in FCV contexts.
- b. Fiscal constraints, high debt, macroeconomic vulnerability. Most African countries have major macroeconomic imbalances. Low rates of revenue collection and high spending levels have led to persistent fiscal deficits and rising debts, with growing levels of domestic and external borrowing. Low global interest rates over the past decade have led many to access international markets for non-concessional financing. While interest rates remain low, depreciating currencies and declining revenues would put further pressure on their macroeconomic imbalances. The “sudden stop” to international markets imposes a hard budget constraint on external market financing for many. The lack of fiscal space, already severely constrained before the crisis, limits the ability of most of countries to mount large fiscal initiatives to support their economies during this crisis. In addition, the COVID-19 shock might create conditions in some countries for full blown macroeconomic crises that would deepen the collapse in economic activity and might impede a faster recovery, with consequent devastating impact on poverty levels.
- c. High share of informality. Informality is pervasive across Africa. Estimates suggest that 80-90 percent of workers in most countries are in the informal economy. Many of them are in agriculture where subsistence incomes are still the norm. But many others are in the service sector, reside in densely populated urban slums, and live on daily incomes. Most of them are migrant workers, who are particularly exposed to job loss and do not have local support systems. Often, high levels of poverty and vulnerability coexist with informality.
- d. Weak health status and systems. Most African countries have weak health care systems which are ill-prepared to handle a pandemic of this magnitude and virulence. Health outcomes are

poor in most of these countries who rank in the bottom quartile of the global Human Capital Index and have high levels of morbidity and low life expectancy. Many countries have huge legacies of HIV and AIDS which makes large parts of the population, in urban and rural areas, immune-compromised and at higher risk to the coronavirus. High incidence of TB in the mining sector, especially in southern Africa, further aggravates the risk. All these risks are made worse by high levels of food insecurity and malnutrition.

- e. Constraints on government capacity to deliver services. By most measures of governance, many African countries lag in their ability to deliver key public services. Even before the crisis, the delivery of basic services such as health, education, clean water and sanitation has been lacking in most countries. This is particularly true of densely populated urban slums and in rural areas. Weak public administration systems, especially at the local levels, are further constrained by inadequate financial management systems and shortage of skilled and capable staff. Corruption, leakages, delays in payments to suppliers, arrears on wages and pensions, poor cash management, elite capture, and lack of budget transparency are all too common in many countries. These compound the already weak social contract between governments and the population in many countries, that would tend to mute the population's response to efforts by the governments to address the crisis. This would suggest communities to be also empowered in the fight against COVID-19.

C. A Framework for Responding to COVID-19 crisis

A simple three-pronged framework is proposed for thinking about the response to the COVID19 pandemic and the global economic crisis:

- a. Protecting Lives. In the immediate term, the primary concern is about saving lives. This means putting in place the measures needed for the prevention, detection, and treatment of the disease. This is a huge public health challenge. Containing the spread of the disease through physical distancing measures is critical. In the African context, it is especially important that effort be directed towards “smart containment” —the targeted physical distancing measures that have the maximum effect on epidemic reduction with the minimum economic damage.
- b. Protecting Livelihoods. A second prong of the effort must be in ensuring livelihoods during the period when parts of the economy need to be shut or slowed down in order to prevent the spread of the disease. Given the nature of the challenge in Africa, particularly attention needs to be given to the following:
 - i. Protecting households – Direct income support programs are central to supporting the incomes of households. Given the widespread nature of the shock, this calls for broad-based transfer programs consistent with fiscal affordability, that reach large segments of the poor and the vulnerable. Where food insecurity is caused by restricted access rather than lack of availability, cash-based transfers can be an effective response.
 - ii. Protecting jobs – The large-scale loss of employment, for those in the formal sector as well as the millions in the informal economy, means that efforts are needed to provide support to these farms and firms. This will enable them to continue providing wages and salaries for workers, remuneration for entrepreneur-owners but also keep these farms and firms viable for the post crisis recovery and growth.

- iii. Protecting key government functions – Despite sharp declines in revenues, key government services need to be maintained. This refers to functions such as management of health care facilities, payments of public servants, provision of essential goods and services by the state, core treasury functions, intergovernmental transfers, central bank functions including the conduct of monetary policy, and banking supervision.
- iv. Supporting essential economic activity – even during the most stringent of lockdowns, governments must ensure that households continue to have access to critical supplies (e.g. food, health) and services (e.g. power, water, sanitation, transport, agriculture).
- c. Protecting the Future. While much of the effort would necessarily go towards addressing the immediate crisis, investment also needs to be made in recovery and growth, to create the foundations for the future. Areas of focus should include investments in faster recovery, sustainable growth and resilience (see section D.6 below).

D. Operationalizing the Framework

Although the areas that require attention and response are many, there are six areas discussed below that African countries should prioritize to fight the COVID-19 crisis and minimize the negative impact on economic development especially on the poor and most vulnerable. The design and choice of interventions would need to be calibrated to individual country situations. They would also need to be informed by objective data on the incidence and spread of the disease, its economic and social impacts, as well as the impacts of policy responses. Quick investments in high frequency data--using a combination of existing data (e.g. on prices, service delivery, economic activity, social sentiment and behaviors/coping strategies) and new data (generated through phone surveys targeting household/individuals, communities, and firms) –would be very useful in informing policy formulation.

1. Supporting a strong health sector response

Africa's health sector, its first line of defense against the pandemic, is generally underequipped, understaffed and underfinanced. The region has the lowest Universal Health Coverage service index score of any region. Fragile health systems increase the morbidity and mortality risk of COVID-19 in Africa. In addition, large segments of Africa's population and its poorest are more vulnerable to contagion and illness because of close living quarters (70 percent of city dwellers live in crowded slums), limited access to water and sanitation and underlying health risks (malnutrition, HIV/AIDS, TB and other conditions). However, Africa's relatively young population could mean that the proportion of people at high risk of COVID-19- related complications and mortality could be lower than in other regions.

In a context of unknowns and developing solutions (testing, therapeutics, vaccines), policy responses will need to be flexible and adapt to new developments and learning. Based on current knowledge, the following responses are recommended:

- a. Expand testing. Testing has improved significantly since this pathogen was identified three months ago but still faces the challenges of limited accuracy, inadequate supply of testing kits,

and low access particularly. The Africa Center for Disease Control (CDC) and different countries are attempting to address these challenges. Resolving these difficulties will lead to improved testing which will have a very significant effect, both for epidemic intelligence and epidemic control, especially when combined with effective prevention methods.

- b. Strengthen prevention. Physical distancing and associated communications, improved and targeted detection, swift isolation of confirmed infection cases, and sharing of data and information in a community-based way is needed. Full lockdowns have been implemented in some countries. In urban slums where millions live, a different mix of interventions would be needed to prevent contagion. Although urgent economic and social pressures to reopen economies are building to prevent unrest and economic pain, this must be done with due regard to the local situations (see Box 1).

Box 1: Some Key Considerations on Easing Lockdowns

Testing. Highly granular specific testing and case data, even down to the neighborhood or block level, supported by rapid response teams to isolate and quarantine infected would ease lockdowns.

Epidemic force: The greater the epidemic force, the more urgent, large-scale and long-lasting the required lockdowns; and the greater the likelihood and size of second wave rebounds when measures are relaxed. At the same time, a prolonged, total lockdown is bound to have a backlash in terms of both lives and livelihoods.

Population health: The more the elderly, co-morbid, and health workers are infected, the less a country's capacity to reopen. As stated above, demographics may play in Africa's favor here.

Capacity to manage reduced measures: Countries with imported infections and limited community transmission who can protect their borders and rely on community preparedness have greater capacity to reopen internally.

Public health capacity: Countries with high and tested public health capacity experience fewer infections and can reopen earlier. Countries need to protect health workers and provide for hospital and ICU beds before they consider large-scale reopening. Countries without such capacities (most of Africa) must rapidly build it during lockdowns before they reopen.

Geographical considerations: Urban and rural areas present different challenges - social distancing will be easier in rural areas, which may accordingly become places to shield the elderly and vulnerable. Given Africa's demographics, this approach may work as the numbers to shield are smaller and the potential healthy population who can support and care for them is far larger. Further, building on the Ebola and other epidemic experience, African communities may be able to navigate this crisis, too.

- c. Bolster response capacity by enhancing technical and human capabilities. Health care staff require training in critical skills involved in disease detection and response. Protective gear for health workers, testing kits, hospital beds, Intensive Care Units, and ventilators are priorities.
- d. Preserve the provision of standard health service delivery to protect populations against secondary health impacts of the pandemic, relying also on telemedicine where possible. During

the 2014-2016 Ebola epidemic in West Africa, more people died because of disruptions of day-to-day health care than from the disease. Preserving basic health services, such as maternity and reproductive health care, including key public health measures such as immunization campaigns, is important.

- e. Further strengthen role of regional health bodies. These bodies, such as the Africa CDC, are playing a catalytic role in ensuring rapid responsiveness in two key aspects: (i) providing the initial emergency response; and (ii) supporting countries in preparing and implement their larger scale national COVID-19 response. They have supported health workers to be trained in all African countries, provided them with test kits, and developed standardized protocols and efficacy of care through a single, continent-wide network for health security.
- f. Make prevention and redress of domestic and gender-based violence a key part of pandemic response plans. This requires setting up emergency warning systems in places that remain accessible to the public, diffusing mass messaging on healthy conflict resolution and managing stress and anger, declaring shelters essential services, and creating safe ways for victims to seek support. Interventions should consider where women and children go if they need to report a case of GBV, and if they need protection.
- g. Invest in real time data for monitoring and decision-making. Relevant information on public health, prevention, treatment, access to government programs, should be clear and accessible to all. In rural areas, where connectivity may be more limited, community leaders/health workers, who are likely to have access to mobile phones and other digital technology, could be used to share information. Women's organizations who are often at the frontline of response in communities could be leveraged to promote female participation in decision-making around preparedness and response. Behavioral insights can be used to enhance the effectiveness of communication campaigns and other measures in promoting and sustaining "good behaviors" on precautionary measures and social distancing.

2. Strengthening social safety nets

The decline in overall activity caused by the COVID-19 shock is having an immediate and devastating impact on poor and vulnerable households, self-employed and informal micro enterprises. The shock is unprecedented: It hits urban populations first, impedes mobility and close contact, and hits fast and at scale. Contracting the disease will deprive individuals of earnings and can lead to impoverishing out-of-pocket payments for treatments. But the largest effect will be indirect and be felt more widely across the population as social distancing and mobility restriction measures curtail economic activity; supply chain disruptions may increase prices; and remittances from abroad dry up. With roughly 8 out of 10 people engaged in low-wage informal employment, the livelihoods, incomes and well-being of many households are at risk and they may go hungry and resort to bad coping strategies which will set back their longer-term livelihoods and human capital of their children. The reality is that across Africa, poverty levels are likely on the rise, reversing some of the hard-fought gains of the past.

To provide immediate relief, social safety nets (SSN) programs should be used. Africa has seen a significant expansion in such programs during the last two decades. More than 45 countries now have

SSN programs in place to address chronic poverty through cash transfers and support to extremely poor households, typically in rural areas, to diversify their livelihoods and invest in human capital through their children's health and education. A growing number of countries have introduced programs focusing on urban areas. In some cases, SSN programs have been designed and used for responding to shocks, primarily drought. While the size and coverage of many programs is small, the objective is to "flex" existing programs swiftly in response to the COVID-19 shock. This will require bolstering funding for these programs urgently, while cutting expenditures in less critical areas, including subsidies on fuel and utilities which tend to be regressive.

Flexing Africa's SSN programs for the COVID-19 shock response requires adaptation and innovation in design and delivery and an emphasis on delivery speed over targeting accuracy. Governments can consider vertical (higher benefits for existing beneficiaries) and horizontal (extending coverage to new beneficiaries, e.g. in urban areas) expansions and changes to design, management and delivery, as follows:

- a. Pay due attention to design of programs. COVID-19 shock response cash transfers should use already existing registries and payment systems. Ideally, they should also be designed as separate to the regular SSN, time-bound with a clear exit strategy and with more inclusive but clear targeting criteria combining geographical and categorical approaches. Cash transfers can help sustain the functioning of food markets, but when and where markets break down (and only then, in view of greater efficiency of cash relative to food delivery), cash should be replaced by direct food aid, usually involving humanitarian actors with experience such as WFP. As such, continuous monitoring of food markets is critical.
- b. Adapt management to the emergency needs. Extending program coverage to new beneficiaries in urban areas will require building an adapted registry for COVID-19 shock response that can integrate data from (i) existing social or SSN program registries and new and innovative sources such as (ii) additional Government registries like health and education system registries or registries of other development partners, and (iii) other non-traditional sources like membership lists of informal sector associations, e.g. of market vendors, or mobile operators' information based on user profiling. Where governments' response capacity is limited, especially in FCV settings, the relief response will need the close partnerships with humanitarian actors, e.g. the WFP, UNICEF and NGOs to leverage their systems operating on the ground.
- c. Delivery adaptations would aim to reduce face-to-face interaction where possible. This is needed to support social distancing, e.g. through (i) shifting to electronic/mobile or automatic enrolment; (ii) expanding digital payments where possible (e.g. leveraging higher mobile coverage in urban areas), staggering payments at physical payment sites to reduce crowds or payment frequencies from monthly to quarterly; (iii) communications through radio & SMS (including on behavior change like handwashing), providing washing facilities where contact takes place and (iv) temporarily suspending work requirements or adjusting work schedules and types of activities in public works programs.

After the immediate crisis has been addressed, Governments can expand support for recovery of livelihoods and labor market re-integration for workers and self-employed through productive inclusion

programs to restart livelihoods such as access to credit, training, and facilitation to micro entrepreneurs and self-employed; intermediation and information services to match employers with job seekers.

3. Protecting jobs and MSMEs

The COVID-19 crisis is affecting the livelihoods and jobs of many Africans. Micro, Small and Medium-Sized Enterprises (MSMEs) that provide the bulk of jobs in the region's economies are being particularly hard hit, in a region where informal firms dominate employment. Among the critical sectors most affected are tourism, airlines, and service sectors (e.g. retail, food, and hospitality) that require face-to-face interaction. The current shock is putting a large strain on most of these firms and may put many of them out of business rapidly. The disappearance of firms will also imply the loss of relations between workers and businesses may not be easy to regain quickly once the recovery begins.

The challenge in Africa is to reach the microenterprises in the informal economy which are facing a sudden stop in their incomes, with little capacity to survive the downturn. Many of them are also part of domestic supply chains and could potentially benefit from broader support to formal sector firms, too. But special instruments would be needed to reach those at the lower end of the spectrum.

There is a wealth of evidence, including from past crises, that demonstrates that quick support can help protect jobs and the survival of firms. Immediate liquidity challenges of MSMEs, whether formal or informal, can be met through special financing programs through banks or other mechanisms, or through cash grants for harder to reach informal firms. Such efforts can help reduce layoffs and avoid firm closures and bankruptcies. Where larger firms are systemically important for jobs, support to these companies should be specifically conditioned on keeping existing workers and continue to pay them as well as suppliers. Speed of response would be critical. Potential measures include:

- a. Grants to informal enterprises. Reaching informal units may be difficult but they could be attracted to seek cash grants if they come forward and register under simplified procedures. Mobile payments can be facilitated in an environment of social distancing. Local community-based financial institutions and civil society organizations (such as Microfinance Institutions (MFIs) and Savings and Credit Cooperatives (SACCOs)) could help in identifying potential beneficiaries. Geographic targeting can also be helpful for instance to vendors in a market or sectoral targeting for instance to food suppliers or logistics. FinTech solutions can help enhance access and lower cost.
- b. Liquidity and credit support policies for formal sector firms. Governments should encourage banks to continue to service small firms, and to provide emergency loans when needed, with flexibility in repayments, including on existing loans. Liquidity support for MSMEs for trade finance and working capital can be provided through blended lines to banks. Availability of credit to MSMEs can also be expanded through partial credit guarantee schemes for loans provided by private banks or through state development banks. Proposals for debt moratoria need to be analyzed carefully and closely with the implementation of regulatory forbearance.
- c. Tax credits, waivers, and/or deferrals can be provided for those MSMEs that pay taxes. In some African countries, firms have benefited from reductions and/or deferments of payroll and social security taxes.
- d. Expedited payments to suppliers, expansion of public procurement initiatives, amendments to insolvency & restructuring frameworks, and direct “emergency one-time” transfers for MSMEs will help to keep them in business. In some countries, there

may be existing arrears to government suppliers which can be removed in a way that prioritizes micro and small firms.

- e. Trade regimes need to stay open to permit the flow of goods and services. Import restrictions (non-tariff barriers, import duties) can be cut to reduce costs for essential imports. This would also help dampen domestic inflation in the immediate term but also boost competitiveness, efficient resource allocation, and market creation during the recovery period. Measures to strengthen domestic supply chains and align them better with external trade incentives would help support the recovery, too.
- f. Support to the financial sector. Financial institutions will likely see a rise in non-performing loans as economic activity is affected. Supervisors should monitor closely the health of credit institutions for signs of stress and take early action to avoid runs and a seizing up of credit flows. Some degree of financial forbearance can also be needed due to the extraordinary nature of the crisis. Liquidity support being made available by central banks (e.g. through credit facilities to financial institutions) would be needed for banks to continue providing financing to private businesses.

4. Protecting food security

The COVID-19 shock increases food insecurity of an already stressed African food system. Scarcity of food is not an issue at the global or national level, but there are already signs of local shortages and price spikes of key staples in many African countries. Moreover, the outlook for food supplies in the region during 2020 is less than comforting. Poor weather in some parts of the region, droughts (e.g. in some Sahel countries), and locusts (e.g. in the Horn of Africa), are affecting production. The April 2020 issue of the Africa Pulse forecasts a decline in agricultural production between 2.6 percent and 7 percent (in the scenario with trade blockages) as well as lower food imports (from 25 to 13 percent) due to a combination of higher costs and reduced domestic demand – at a time when the region needs to import close to 40 million tons of cereal to ensure its food security needs.

With 113.3 million chronically food insecure people, and 54.4 million acutely food insecure, the region needs to act to avert a food crisis. The COVID-19 shock imperils food security in Africa through several channels. First, disruptions in supply chains (domestic and international) due to logistics breakdown as containment strategies restrict food flows and/or movement of critical labor and reduce operational capacity. These logistics problems affect not only food trade but also the movement of critical inputs (such as seeds, veterinary inputs, and agrochemicals). Second, new barriers to trade (e.g. export or import bans, non-tariff barriers), can accentuate shortages and create artificial food price spikes. Third, excessive storage/stock buildup (hoarding) can lead to further shortages in local markets. Finally, the sharp reduction in incomes of the poor and vulnerable, both urban and rural, created by the economic impact of the COVID-19 shock means that these segments of the population will have less access to food.

Key responses for food security should include:

- a. Keeping borders open. While the region has a long history of trade restrictions in the face of food security fears, such policies can be self-defeating and can aggravate the situation. In general, minimizing trade barriers and logistical disruptions are the best response to ensure that food supplies can flow to all markets. This would also ease price spikes which have been already reported in some countries.

- b. Prioritizing mobility of food system workers with adequate health safety. Allowing food system workers (including farm laborers, input providers, food processors and distributors)– as well as those in charge of port and food shipping operations -- to work without unnecessary restrictions is also essential. Special attention needs to be paid to the adequacy of farm workers required for harvesting and for new plantings.
- c. Setting up programs for flow of financial resources to the farmgate. Seeds, fertilizers, and pesticides will be required to ensure food production in an environment where farm resources would likely be severely constrained. Providing productive inputs directly to farmers can have particularly positive impacts for women as they contribute more than 40 percent of Africa’s agricultural labor.
- d. Strengthening communications. Enhanced communication of market conditions through media, electronic platforms or apps for farmers will help keep markets functioning and ensure supplies can quickly move to where they are needed most. Digital extension services can be used when traditional agricultural extension programs are curtailed to limit person-to-person contact.
- e. Averting risk of famines. Early warning systems to avert potential famines maybe needed in certain contexts. Scaled up social safety net programs should help stem this risk. Digital technologies and voucher programs can also help anticipate problems, ensure farmers’ access to key inputs, smooth temporary shortages as well as build the resilience of food chains. However, large public interventions in procurement and distribution of key staples that distort markets are often not productive and can be a source of inefficiency and corruption.
- f. Beefing up nutrition and WASH programs, especially for children. In concert with social safety net programs, enabling children access to essential nutrition can be done through community- based programs. The loss of school feeding programs in many countries as a result of school closures, heightens the need for alternative means to bolster nutrition, along with WASH programs. Cash transfers to poor and vulnerable families with school aged children can be effective in this regard.

5. Maintaining critical public services

Available fiscal resources will clearly be insufficient to cover the growing fiscal gap in coming months. Delivery of core public services will be made more difficult with the social distance requirements and lockdowns. This is already putting additional pressure on governments to limit the provision of critical public services (e.g. education, health, electricity, water) and/or delay payments to civil servants.

To avoid disruptions in critical public services, governments need to ensure the following:

- a. Functioning of the treasury system. This would be necessary for the government to maintain its payments. Most countries already use integrated financial management systems which help keep systems running. Timely payments of salaries and purchase of goods and services (including the clearance of arrears to pensioners, government employees, and suppliers) seem essential. These should be complemented by enhanced transparency of budget execution reports, improved budget tracking, and strengthened oversight of spending.

- b. Functioning of the banking and payment systems. Banking and payments (including government payments and remittance transfers) are essential services that need to stay functioning during the crisis. Ensuring that digital networks continue to operate and lowering taxes and fees would help broaden access at a time when they can be critical to save lives and preserve livelihoods.
- c. Transfer resources to frontline services. Public employees in key sectors, essential in the fight against COVID-19, need to be supported. These include workers in health care, water and sanitation, power generation, transmission, and distribution. This would also require strengthening the effectiveness and efficiency of financing for service delivery at the local level.
- d. Ensure continuation of lifeline mobility and connectivity. Government intervention may be required to guarantee basic lifeline mobility and connectivity for essential passengers and freight. Special protocols would need to be adopted to safeguard health and security of transport services, including disinfection and distancing measures for mass transit, as well as screening and quarantining measures for international travel. Finally transport service operators may require support to mothball fleets and support livelihood of workers.
- e. Keep power systems going. The sharp demand contraction from the lockdowns should help reduce the power deficit in many countries. In the current crisis, it would be paramount that sufficient power flows to support critical health services.
- f. Look to alternative ways for schooling. The closing of schools, if extended for a longer period, puts children's education at risk and erodes human capital, in a continent with access challenges and very low learning levels. Girls may be at higher risk of dropping out (see Box 2). Most countries do not have alternative online systems that can be used. Distance learning programs need to be introduced quickly or extended, where possible. Radio and television programs can be aired using publicly available materials. Local communities can be empowered to deploy their own solutions. Home based instruction can be used, while new methods for the use of school facilities in a safe and healthy manner are designed.

Box 2: Protect schooling for girls

During the COVID-19 crisis, many school systems across the world have closed – including in 43 African countries. This is a concern in Africa where alternative schooling systems are not available to all, but also because there is a risk that young girls might drop permanently out of school. Efforts need to be made to return girls to the classroom because of an increase in domestic tasks, child and elder care and increased pressure to generate revenue as household income decreases, which can put girls at higher risk of physical and sexual abuse and early pregnancy. Policy makers can remedy this via inclusive methods of distance learning including community sensitization on the importance of girls' education and low-tech learning practices. They also provide flexible learning approaches so that girls, including pregnant girls and young mothers, are not deterred from returning to school when they re-open. Adapting adolescent girl's programs—focused on mentoring, support networks, and providing vocational and life skills training—to a virtual format could help reach girls in the context of limited mobility due to COVID

6. Supporting the recovery

Once the worst of the COVID-19 crisis is over, it will be important to focus on areas that would be key to a rapid and healthy recovery. The recovery phase investments are an opportunity to link job creation and growth to public health and environmental sustainability. Some areas to look at are:

- a. **Investing in faster recovery.** It is important to begin to take actions that can stimulate a faster recovery. This should include immediate plans for sector-specific easing of restrictions, stimulus programs in job-creating sectors, and/or reallocations of resources to support potential growth areas. Structural reforms to spur new private investment over the medium-term and return to a stronger growth path will be critical. Steps to allow existing firms to recover, new ones to enter, and, more broadly, to simplify business regulations, will be key to creating more jobs and growth.
- b. **Investing in sustainable growth.** The future quality of growth becomes important. That needs to respond to the multiplicity of fragilities that African countries face include from climate change and environmental degradation. Some of these problems arise from economic distortions which subsidize the use of carbon fuels and tax agriculture, usually to the benefit of the richer segments of society with sizeable costs for the poor. Sustainable growth, particularly in a digitizing world economy, also requires increased investment in Sub-Saharan Africa's human capital.
- c. **Investing in resilience.** The lesson is clear: African countries need to be better prepared to handle the next pandemic. More generally, it is essential to promote resilience in society. In this vein, policy reforms will be needed to adopt fiscally sustainable universal health care systems, improve preparedness against natural disasters, strengthen resilience of food and livestock production, build climate smart infrastructure, strengthen adaptive social safety nets, rebuild fiscal buffers to better handle the next shock, and strengthen core financial management systems. Since fiscal positions will worsen during the COVID-19 shock, countries will need to prepare medium term plans to improve their fiscal position. This will likely require significant expenditure reprioritization, in both the investment and recurrent budgets, as well as improving tax revenues. In addition, a thorough review of the portfolio of credits should be undertaken with a view to cancel/postpone less critical investments. Many countries would need debt relief and restructurings to improve debt sustainability.
- d. **Mainstreaming digital technologies.** Digital technologies have demonstrated that they can be game changers in crises. They are critical for the health response (e.g. telemedicine), allowing firms to adapt to mobility restrictions (e.g. home-based work, mobile payments), helping MSMEs survive the downturn (e.g. FinTech), delivering agricultural inputs (e.g. e-vouchers), providing more effective operation of social safety net programs (e.g. national ID systems, and mobile payments), and sustaining education efforts (e.g. education apps, virtual classes). Governments can provide faster and more transparent services using e-Government platforms, which improve efficiency and reduce opportunities for corruption.

E. Financing Options

An adequate response to the COVID-19 shock requires significant fiscal resources. However, most African economies are facing this dramatic situation with an absence of fiscal space. African countries also do not have the ability to support the type of quantitative easing that advanced countries are able

to do. The financing for the public programs in the priority areas above would need to come from two sources:

- a. Reprioritizing spending: The crisis is an opportunity to review and reprioritize public budgets with an eye to eliminate wasteful spending, poorly targeted subsidies and other unnecessary items in the recurrent budget. Many subsidies are typically captured by elites; they can be eliminated and reallocated to priority social programs to fight COVID19 pandemic and the economic downturn. In addition, development budgets should be scrutinized to defer or cancel low priority infrastructure projects and release savings that could be better utilized for urgent social interventions.
- b. Accessing donor financing: For the most critical needs that require additional financing after reallocations are undertaken, governments should seek financing, mainly from multilateral development banks and bilateral financiers. International financial markets are likely to stay closed for some time and domestic financing markets are likely to be insufficient for the needs. Accessing donor financing should include:
 - i. reprioritizing the existing portfolio with lenders, taking advantage of large undisbursed balances that can help to address short term needs.
 - ii. accessing new concessional financing from MDBs and bilateral creditors. Such financing could be for general budget support (to fill partially the revenue shortfalls) as well as for specific critical needs (e.g. the health response, social safety nets, food security).
 - iii. Seeking a debt service standstill, as proposed by the World Bank and the IMF. This would free up substantial resources while an assessment can be made of the debt sustainability of indebted countries. Reprofiting, restructuring and rescheduling discussions with critical creditors may be needed to provide reductions in net present value and find much-needed fiscal space to address the urgent needs of the crisis response.

F. Conclusions

The economic and social impact of the COVID-19 pandemic and the global crisis in Sub-Saharan Africa are likely to be huge. Decades of progress on reducing poverty and inequality are now at risk. The policy and institutional weaknesses in many countries limit their ability to address the crisis effectively. The response to the crisis requires coordinated action on three fronts: protecting lives, protecting livelihoods and protecting the future. This will require public action in six key areas: containing the health challenge, supporting social safety nets, protecting jobs and firms, ensuring food security, maintaining key public services, and investing in policies for a faster, sustainable, and more resilient growth. These approaches need to be tailored to individual countries, with country-specific strategies and implementation arrangements. Their implementation would need substantial financial support from the international community in order to prevent an economic and social disaster, especially for the poorest, most fragile, and vulnerable countries.
