Working paper 579

Financing the coronavirus response in sub-Saharan Africa

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April 2020

Key messages

- The health impacts of the coronavirus in sub-Saharan Africa remain highly uncertain, but the costs to livelihoods will undoubtedly be great. Estimates of economic impacts vary, but are in the order of at least $100 billion.
- Many African governments have been quick to put in place stringent measures aimed at containing the spread of the virus. Economic and social protection measures have lagged behind as policy-makers face major liquidity and fiscal constraints.
- African governments should not have to bear sole responsibility for financing the response to the crisis. Much of the global economic dislocation stems from decisions to protect citizens in richer countries, and international solidarity is required in the response. Successful containment of the virus also calls for a global response.
- A number of financing proposals are on the table and need to be delivered on. Special drawing rights should be increased to help plug gaps from capital outflows, and international actors should agree to a moratorium on debt service repayments and look to coordinate a voluntary standstill on interest payments on bonds.
- Multilateral development banks can expand their non-concessional lending to the region by $68 billion, and bilateral donors should commit to allocating 0.7% of their economic resource packages as aid to poorer countries. Development finance institutions can provide liquidity to protect private sector jobs.

Acknowledgements

This paper has been prepared with the generous support of the Bill and Melinda Gates Foundation. It draws on a range of inputs produced as part of ODI's publications series on the coronavirus crisis. Special mention to Iain Steel and David Phillips for their paper *How tax officials in lower-income countries can respond to the coronavirus crisis*; to Chris Humphrey for his paper *All hands on deck: how to scale up multilateral financing to face the global crisis*; to Vidya Diwakar for her paper *From pandemics to poverty: hotspots of vulnerability in times of crisis*; and to Stefany Griffiths-Jones for her inputs to the paper *Development finance institutions and the coronavirus crisis*. Any misrepresentations of their arguments are the responsibility of the authors. Research support was provided by Antoine Lacroix and Yunnan Chen.

The authors would also like to thank Richard Hughes for project management support, and Natalie Brighty, Emma Carter, Matthew Foley and Manna Mostaghim for their help with editorial and production.

Contents

List of boxes, tables and figures

Boxes

Tables

Figures

Acronyms

ADF	African Development Fund
AFD	Agence Française de Développement
AfDB	African Development Bank Group
AIIB	Asian Infrastructure Investment Bank
AsDB	Asian Development Bank
AU	African Union
BADEA	Arab Bank for Economic Development in Africa
CABEI	Central American Bank for Economic Integration
CAC	Collective Action Clause
CAF	Charities Aid Foundation
DAC	Development Assistance Committee
DFI	Development Finance Institution
EBRD	European Bank for Reconstruction and Development
EDFI	European Development Finance Institution
EIB	European Investment Bank
EU	European Union
FDI	foreign direct investment
GDP	gross domestic product
HIC	high-income country
HIPC	heavily indebted poor countries
IDB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICU	intensive care unit
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
LIC	lower-income country
LMIC	lower middle-income country
MDB	multilateral development bank
NGO	non-governmental organisation
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
RCF	rapid credit facility
SDR	special drawing rights

UMIC	upper middle-income country
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
WBG	World Bank Group
WTO	World Trade Organization

Executive summary

The coronavirus pandemic is wreaking havoc on health and livelihoods around the world. Although people are at risk of infection irrespective of their income, class, ethnicity or age, the impacts of the pandemic are likely to be acutely felt in sub-Saharan Africa. As well as health impacts, there are fears that African countries will face considerable hardship and potentially a catastrophe for jobs and livelihoods.

As of early April, Africa had registered just 1% of global cases and deaths, though rates will almost certainly rise in the coming months. While the younger age profile of the population suggests lower demand for hospitalisation and critical care, standards of care are likely to be lower. Public spending on health systems is very low, and health systems are likely to be quickly overwhelmed. There is also a risk that diverting resources to care for Covid-19 patients could result in increased deaths from other diseases.

Notwithstanding the potential impacts of the pandemic on health and health systems in sub-Saharan Africa, at this stage of the crisis the indirect economic impacts are of more immediate concern. Economies in sub-Saharan Africa are being hit by the global economic slowdown, and by the effects of national measures to contain the spread of the virus. The collapse in global trade and financial flows has hit some sectors, such as oil exports and tourism, airlines, hospitality and clothes manufacturing, extremely hard. Private capital has fled from emerging markets at record speed, bond yields have shot up, stock markets are down and currencies are devaluing. Foreign direct investment (FDI) is expected to fall by up to 20%, and vital remittance flows will decline significantly. Meanwhile, many governments in sub-Saharan Africa have introduced social distancing policies, and closed borders, airports, schools, shops and hospitality and entertainment venues. One estimate of the economic impacts of business closures suggests a cut in output of 25%. Overall, across sub-Saharan Africa losses could total $200 billion, with 20 million jobs at risk.

Policy responses so far have been based around three overarching objectives:

- Shielding individuals from worse health outcomes.
- Shielding the incomes and livelihoods of individuals.
- Shielding the private sector and the economy from lasting damage.

Government health budgets will need a significant boost to prepare for and respond to the virus, including expanding testing and surveillance and ensuring that health workers have personal protective equipment. New funding has come on line, with the World Bank providing significant financial support for the pandemic response, but it will also be essential to ensure that only activities that can be reduced with minimal impact are stopped, to avoid diverting resources from tackling other infectious diseases. Rapid and flexible ways to disburse funding and maintain safeguards against fraud and abuse will need to be found.

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

A range of measures are available to governments to ease the stress on firms and the wider economy, potentially including reducing companies' usual tax burden, providing access to credit, working with the banking sector to defer repayments of loans and offering direct cash grants. However, African governments have very little fiscal room to adopt the approach taken in developed countries, and need external support to provide continued access to liquidity and credit.

A number of proposals have been put forward on the role international finance could play in containing the immediate impacts of the crisis, including increased balance of payments support through the International Monetary Fund (IMF); increased lending from multilateral development banks, postponing debt service payments and increased grants; and increased support from Development Finance Institutions (DFIs). African finance ministers have requested international financial support totalling $100 billion.

The IMF has indicated that it is willing to use its current lending capacity (of $1 trillion) to help its members cope with the economic impacts stemming from the pandemic, and several countries in sub-Saharan Africa have accessed its rapid credit facility. Special drawing rights (SDRs) provide liquidity and can be key in supplementing member countries' official reserves. As such, a sizeable one-off SDR allocation could significantly increase domestic capacity to stem balance-of-payments crises, and the G20 should direct the IMF to create a new SDR allocation (of another $1 trillion).

For their part, multilateral development banks (MDBs) have announced plans to increase their lending, but there is scope to do more. The non-concessional lending windows of the World Bank and the five largest regional MDBs could expand their lending by $750 billion over current levels (more than $450 billion) without threatening their AAA bond rating, and by $1.3 trillion if they risked a one-notch downgrade to AA+. For sub-Saharan African countries, additional resources would be approximately $53.1 billion under the first option, and $89.9 billion under the second.

A voluntary debt standstill on external public debt could release significant domestic resources to fund the fight against Covid-19. For the 36 sub-Saharan Africa countries for which information on projected debt servicing costs is available, this could potentially free up to $47.2 billion over the next two years, giving countries some much-needed fiscal space. Getting external creditors to agree to a standstill will not be easy, and creative ways will need to be found to encourage creditor participation.

It will also be important not to lose sight of more traditional bilateral aid support. Increasing bilateral development cooperation programmes by an equivalent of 0.7% of donor countries' fiscal response packages would indicate global solidarity against a global threat. In practical terms, such a proposal would generate commitments of nearly $30 billion, a 28% increase on current official development assistance (ODA) disbursements by bilateral Development Assistance Committee (DAC) members.

A rapid response to the crisis will require channelling bilateral resources to development partners that already have budget support programmes in place, as well as delegating as much as possible to local implementers.

Finally, governments urgently need to work with DFIs to fast-track increased finance to support investments even if they are risky. This means lifting stringent criteria on financial returns to protect firms from the current recession. DFIs should also allow investee companies a holiday on interest and loan repayments for 2020, or link payments to future profits. They should also consider providing interest-free loans to firms supporting large numbers of workers and livelihoods, and offering credit to retool manufacturing facilities to respond to the practical needs of the current crisis.

1 Introduction: the urgency of the challenge

Around the world, the coronavirus pandemic is wreaking havoc on people's health and livelihoods. People are at risk of infection irrespective of their income, class, ethnicity or age. While the virus may not discriminate, there is reason to fear that the impacts of the Covid-19 pandemic could be felt far more acutely by certain population groups in sub-Saharan Africa.

This paper explores the potential health and economic impacts of the pandemic in sub-Saharan Africa, and national and international responses to it. Many African governments have put in place measures aimed at containing the spread of the virus; borders and airports have been shut across the continent, schools have been closed, public gatherings banned and curfews imposed. In South Africa, leaving a place of residence is forbidden except in emergencies (Council on Foreign Relations, 2020), and in Uganda 'non-essential' retail services have been closed and internal transport has been suspended (Steverding and Margini, 2020).

Certain governments have also taken steps to shield their economies from the impacts of the pandemic as international travel, trade and financial flows seize up. Now that coronavirus is taking hold in Africa, and with the global economy in continued lockdown, there are fears that African countries will face considerable hardship and potentially a catastrophe for jobs and livelihoods. However, governments' fiscal space is limited, and a narrow tax base makes it harder to use tax and welfare systems to support firms and individuals to weather the crisis.

No single country or region can address this crisis on its own, and sub-Saharan Africa is no exception. A United Nations (UN) report put it eloquently and boldly: 'it is in everyone's interest to ensure that developing countries have the best chance of managing this crisis, or COVID-19 will risk becoming a long-lasting brake on economic recovery' (UN, 2020: 1). Eloquent too is the plea of Ethiopia's Prime Minister, Abiy Ahmed, when he told the Financial Times that 'if COVID-19 is not beaten in Africa it will return to haunt us all' (FT, 2020).

This paper contends that, given the constraints on national responses to the multiple challenges the pandemic poses in sub-Saharan Africa, multilateral organisations, governments from outside the region and private creditors can and must play a key part in helping African governments and the private sector cope. The paper primarily focuses on the provision of finance, but clearly support in other areas, including health, trade and business, matters too. The paper first examines the scale and nature of the crisis, then looks at some of the principles and constraints shaping the design of policy responses to shield health systems, individuals and economies from the immediate impacts (chapter 2). The paper then explores the role that international cooperation and finance can play in enabling more effective national responses (chapter 3), before concluding with a summary of key recommendations (chapter 4).

1.1 Health impacts

There are conflicting views as to the vulnerability of the African population to Covid-19. The younger age profile is expected to result in lower demand for hospitalisation and critical care, and fewer deaths (Walker et al., 2020). The Imperial College COVID-19 Response Team's estimates of deaths in sub-Saharan Africa range from 2.5 million in an unmitigated epidemic (where no response is mounted) down to 298,000 where a suppression strategy is undertaken with wide-scale social distancing early in the epidemic (ibid., 2020).

However, these projections do not take account of variation in co-morbidity prevalence[1] across different population groups, or the fact that the standard of medical care is likely to be lower in low- and middle-income countries. As such, these projections are likely to be under-estimates. While there are concerns that the greater prevalence of infectious diseases such as HIV and TB in the population may lead to more deaths (Nordling, 2020), the prevalence of untreated disease is much lower, and as long as treatment is maintained it is the much more limited healthcare resources available in many African countries that is likely to lead to a higher fatality rate.

Of the countries that have been the locus of the outbreak so far, government health spending per capita is $442 in China, $3,040 in the European Union (EU) and $8,078 in the US. By contrast, it is on average (albeit varying significantly) only $70 in sub-Saharan Africa, supplemented by $10 per capita of external assistance.[2] This difference in spending is reflected in very different levels of infrastructure and staffing across income groups, as shown in Table 1. This lower capacity means that health systems risk being quickly overwhelmed in the absence of all but the most stringent public health measures (and intensive care capacity will be insufficient under almost any scenario).

A further risk is the health consequences if health resources are shifted from primary care to hospital-based functions. Low- and lower-middle-income African countries, and the development partners supporting them, spend comparatively little on hospital-based inpatient care, instead focusing the vast majority of their resources on primary care, as shown in Figure 1.

Table 1 Physicians and hospital beds per 1,000 people

Income group	Physicians per 1,000 people	Hospital beds per 1,000 people	Percentage of hospital beds in ICUs (%)
LIC	0.3	1.24	1.63
LMIC	0.7	2.08	2.38
UMIC	2.0	3.41	3.32
HIC	3.0	4.82	3.57

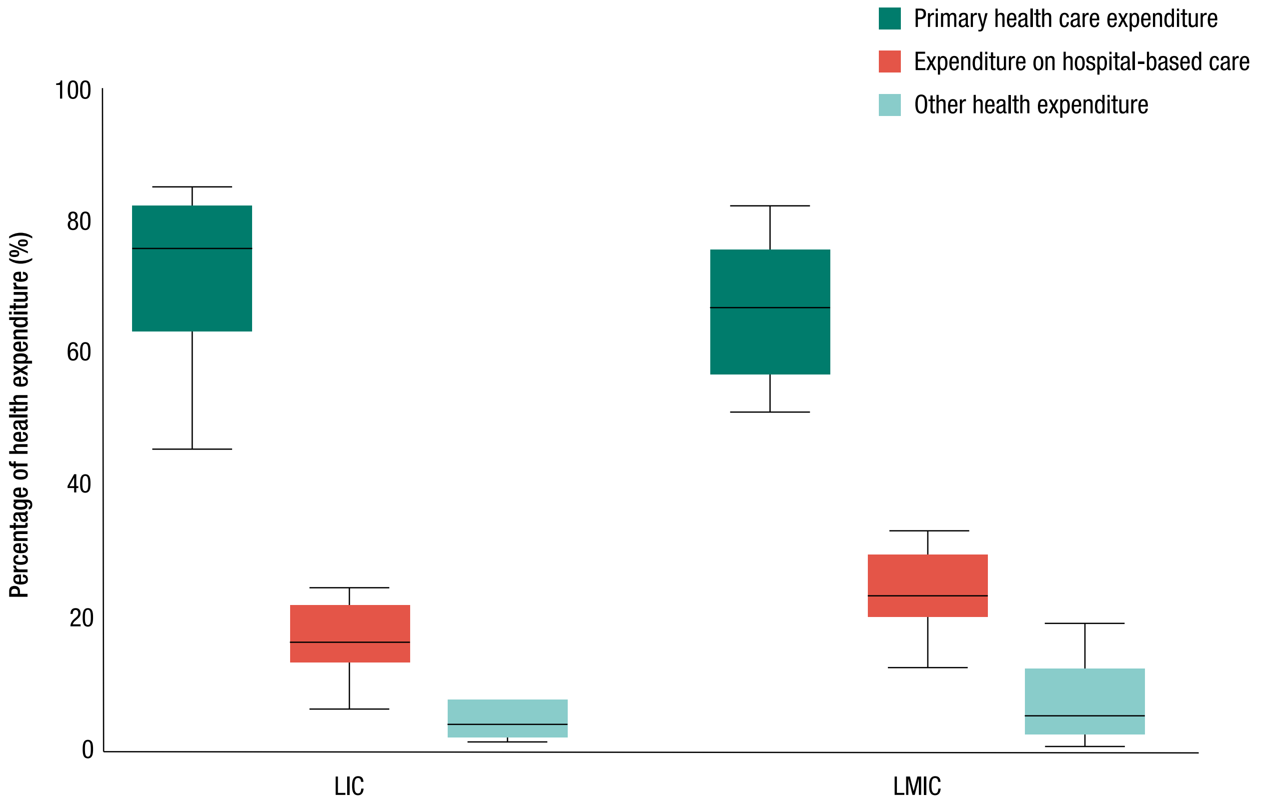
Note: Estimates of the intensive care unit (ICU) capacity in high-income countries (HICs) are drawn almost exclusively from a recent review of ICU capacity in Asian countries, and are not necessarily reflective of ICU capacity in HICs worldwide.
Sources: For physicians: World Bank (2020a); for hospital and ICU beds: Walker et al. (2020).

This focus on primary health care is widely recognised as the most cost-effective and equitable way of expanding health coverage to reach the whole population and make progress towards universal health coverage (World Health Organization, 2019b). If countries divert resources away from their primary care systems towards hospital-based care for Covid-19 patients, this could result in increased deaths from other diseases. During the 2014–2015 Ebola outbreak in West Africa, as the health systems of Guinea, Liberia and Sierra Leone were overwhelmed responding to the epidemic, it is estimated that deaths caused by failing to treat other infectious diseases, such as malaria, HIV/AIDS and TB, were at a similar level to, or exceeded, the 11,000 deaths directly due to Ebola (Parpia et al., 2016; Walker et al., 2015). Furthermore, the disruption in vaccination programmes for diseases such as measles can create conditions for outbreaks which could also lead to deaths on a scale comparable to the Ebola outbreak in the absence of aggressive vaccination campaigns after the end of the outbreak (Takahashi et al., 2015).

1 Co-morbidity refers to one or more medical conditions that occur along with another condition in the same individual at the same time.

2 All figures in current international PPP (purchasing power parity) $ for 2016 (World Bank, 2020a).

Figure 1 Government and external health expenditure by function in sub-Saharan Africa



Notes: Estimates are derived from the functional classification of expenditures. Primary healthcare is calculated as per the World Health Organization (2019a). Hospital-based care is defined as HC.1.1 Inpatient curative care. 'Other' is a residual for functions not included in these categories.
Source: WHO Global Health Expenditure Database.

1.2 Impacts on economies and livelihoods

Economies in sub-Saharan Africa are being hit by two waves of shocks: first from the global economic slowdown, and second from policies being introduced nationally to contain the spread of the virus.

1.2.1 The global economic shock

Most of the global economy is under lockdown, and the Organisation for Economic Co-operation and Development (OECD, 2020) estimates that, for each month of containment, there will be a loss of 2 percentage points in annual gross domestic product (GDP) growth. The lockdown in China from late January has already had major impacts on the global economy (Raga and te Velde, 2020). Since then, other Asian, European, African and North and Latin American countries have gone into lockdown or containment, with significant effects on the global economy and the poorest and most vulnerable economies. United Nations Conference on Trade and Development (UNCTAD, 2020) estimates costs to developing countries at $2.5 trillion. World Trade Organization (WTO, 2020) expects world trade to fall this year by between 13% and 33%. International Labour Organisation (ILO, 2020) expects the crisis to wipe out 6.7% of working hours globally in the second quarter of 2020 – equivalent to 195 million full-time workers.

Since late February, certain sectors of African economies have been struck by a collapse in global trade in goods, services and financial flows (African Union, 2020; UNECA, 2020; te Velde, 2020). Examples include reductions in net oil exports worth some $35–65 billion (2.0–3.8% of sub-Saharan 2018 GDP) hitting countries including Angola, Equatorial Guinea and Nigeria, significant reductions in tourism receipts worth $5 billion (2.0% of 2018 GDP), affecting hotels, restaurants and airlines, flowers from Ethiopia and Kenya, and $1.2 billion (0.1% of GDP) in garment exports from countries including Kenya, Lesotho and Madagascar.

Private capital flows have been withdrawn from emerging markets at record speed (IIF, 2020). This has affected African countries, which received $15 billion in portfolio flows in 2018. Bond yields have shot up in countries such as Angola and Zambia, stock markets are down and currencies are devaluing. FDI worth $46 billion in 2018 is already expected to decrease by 15–20%. Africa received remittances worth $46 billion in 2018, and these will also be down significantly.

1.2.2 The shock from policies to contain the spread of the virus

These statistics are highly uncertain. More importantly, they also mask the very uneven impacts of the virus across different economic sectors and population groups. According to the ILO (2020b), economic sectors likely to suffer (globally) from a significant fall in output include accommodation and food services, manufacturing, wholesale and retail trade and real estate and business activities. Workers in sectors deemed essential, including the health sector, may be less directly exposed to job and income loss as they are expected to continue to work. However, they face occupational health risks and potential economic losses as a result of ill-health.

In terms of specific population groups, there is a high degree of overlap between those most at risk of suffering economic setbacks and those who have low or no employment and social protections (ILO, 2020b). This includes young people and older workers (both groups already facing higher rates of unemployment and under-employment); women (who are over-represented in affected sectors and will be disproportionately impacted by school closures and additional care responsibilities); self-employed, casual and 'gig' workers; and migrant workers (ILO, 2020). Given that these groups constitute a high proportion of the overall population, Mobarak and Barnett-Howell (2020) question whether poor countries should 'think twice about social distancing' if it leads to comparable numbers of deaths from deprivation.

1.2.3 The combined economic impacts on sub-Saharan Africa

Forecasts of the economic impact of coronavirus on Africa are highly uncertain, and the longer the lockdown lasts the larger the impacts will be. McKinsey (2020) suggests that GDP growth may be reduced by 3–8 percentage points, equivalent to a loss in 2020 of $90–200 billion. An AU (2020) study suggests that 20 million jobs are at risk, and GDP could be reduced by up to 4.5%. Studies by UNECA (2020) and te Velde (2020) suggest around a $100 billion shortfall for Africa and sub-Saharan Africa, equivalent to 5.6% of GDP in 2018. The World Bank (2020b) estimates that GDP may be reduced by between 5.2% and 6.1%. In this context, African finance ministers have recently called for an additional $100 billion for Africa to address the fallout from the coronavirus crisis (UNECA, 2020).

2 Designing fiscal policies to cope with the crisis

2.1 Combining health and economic policy responses

Policy decisions on how to respond to the health and economic crises sparked by the Covid-19 pandemic are intertwined and pose difficult trade-offs. Suppressing Covid-19 requires stringent social distancing. This reduces the stress placed on health systems, but also has potentially severe impacts on economies and people's livelihoods (Hausmann, 2020).

Government policy can play a critical role in helping to minimise the potential impacts of these shocks on both health and economic outcomes. However, the trade-offs policy-makers face are not the same across all countries, and the likely effectiveness of policies to contain the virus will vary. Officials may be asking themselves if there is a benefit to 'flattening the curve' when the healthcare system could be overwhelmed in any scenario (Glassman et al., 2020). Given the very different social and economic contexts of many low- and middle-income countries, are stringent social distancing or lockdown measures even feasible for any significant period of time (Andrew et al., 2020)? Even if they are feasible in these contexts, are they worth the costs given what they may well lead to? The economic contraction caused by the response to Covid-19 may worsen health outcomes unrelated to the virus (Baird, Friedman and Schady, 2011), so how should the health impacts of Covid-19 be balanced against the impacts that may result from an economic slowdown (Clarke et al., 2020)? And those that may result from focusing health system resources on patients with Covid-19, rather than those with other conditions?

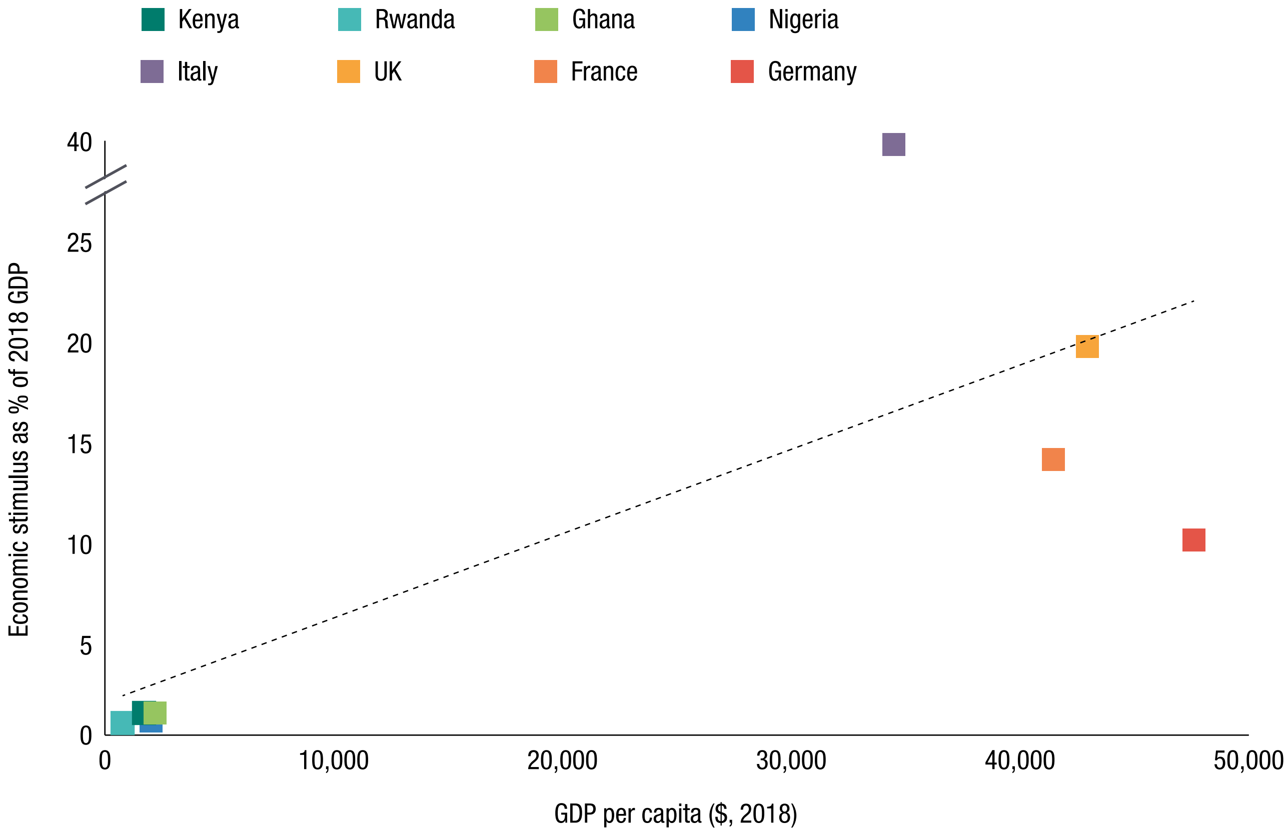
It is also difficult to envisage that stringent social distancing measures could be maintained without finding a way to support firms and households. Yet the ability of governments to provide economic support packages will also vary. In sub-Saharan Africa, measures have been introduced to try to shield firms and households, but so far the scale of economic support packages has lagged behind other countries. Figure 2 shows that the relative size of economic support packages in Europe is much greater as a proportion of GDP than in sub-Saharan Africa. This is unsurprising given fiscal constraints. The average tax-to-GDP ratio in sub-Saharan Africa is around 18% of GDP (and will be falling as a result of commodity price falls and reduced economic activity). If governments were to match the relative scale of support across Europe's four largest economies (France, Germany, Italy and the UK) – also 18% of GDP – in many country cases this would far exceed a whole year's revenue collection.

2.2 Principles for the design of 'shield packages'

The scale of the response to the crisis clearly matters, but *how* financial support is used is critical too. Policy responses to date have broadly been based around three overarching objectives:

1. Shielding individuals from worse health outcomes.
2. Shielding the incomes and livelihoods of individuals.
3. Shielding the private sector and the economy from lasting damage.

Figure 2 Size of economic support packages in African and European countries



Source: ODI economic policy responses tracker (https://set.odi.org/wp-content/uploads/2020/03/Country-fiscal-and-monetary-policy-1.pdf).

The use of the word 'shielding' is deliberate. The economic pain arising from the impacts of the coronavirus differs from previous shocks to the global economy. Governments around the world are taking deliberate measures to induce a slowdown of economic activity particularly in sectors that could encourage the spread of the virus (e.g. entertainment and hospitality). Economies are being 'artificially frozen' as a public health measure (Department of Economics, University of Zurich, 2020). This means that fiscal policies such as broad-based tax cuts aimed at 'stimulating' aggregate demand are unlikely to be the most appropriate. Instead, there seems to be a consensus among economists that policy should focus initially on 'safeguarding financial health' (Hughes, 2020) and 'protecting national wealth and alleviating national income' (Roy, 2020), or as Baldwin (2020) puts it, designing 'economic shield packages'.

As Steel and Philipps (2020) point out (see Table 2), broader-based 'stimulus' measures will most likely be needed further down the line to help economies recover. At some point in the future, consolidation of the public finances is also likely to be needed. However, the priority for policy-makers now is to design responses that minimise the lasting impacts of the crisis.

2.2.1 Shielding individuals from worse health outcomes

Government health budgets will need a significant boost to prepare for and respond to the virus: first to step up surveillance and testing and information campaigns, and second to be able to respond to the increased demand the health system will face. The World Bank has provided substantial financial support for the pandemic response – as of 8 April, Covid-19 Emergency Response Projects worth over $2 billion had been agreed with 28 countries, of which $270 million has been allocated to 11 sub-Saharan African countries. For these countries,

Table 2 The different stages of fiscal policy response to the crisis

Response	Why	When
Shielding households and firms	Help businesses and households to survive	Immediately
Stimulus (if required)	Boost demand in the economy to support economic recovery	After social distancing measures have been permanently lifted
Consolidation	Shore up the public finances	After economic recovery has been secured

Source: Adapted from Steel and Philipps (2020).

the median project is $15 million, equivalent to 11% of government health spending.[3]

In addition to new spending, it will also be essential to maintain and protect the existing functions of health systems and to ensure that only activities that can be reduced with minimal impact are stopped, to avoid repeating the consequences of the Ebola epidemic, where diverting resources from combating other infectious diseases potentially doubled the death-toll. This will require particular attention in low-income settings, as so little spending is currently allocated to in-patient care, which will become the focus of the response if low-income countries follow the practices of the high-income countries that are currently the global epicentre of the outbreak. This is especially the case for health systems in urban centres, which are likely to be put under the most stress.

There is currently a debate about the most appropriate strategies for low-income countries without enough intensive care capacity, and which are unlikely to have sufficient hospital bed capacity to deal with the peak of the pandemic. Ministries of Finance will need to fund Ministries of Health flexibly as they adapt and learn during the pandemic. As well as basic functions, such as expanding testing and surveillance and ensuring that health workers have personal protective equipment, private hospitals may be contracted to increase the capacity of health system, and volunteers or community health workers may be mobilised to help with case management in communities. Rapid and flexible ways to disburse funding and maintain safeguards against fraud and abuse will need to be found. Likewise, Ministries of Health will need to ensure that front-line managers and providers have sufficiently flexible financing to adapt their models of care. This is important at any time (Barroy et al., 2019), but assumes particular importance now to ensure that front-line managers have the flexibility to respond as best they can to what are likely to be unprecedented caseloads.

2.2.2 Shielding the incomes and livelihoods of individuals

If social distancing measures are to be sustained, policy interventions to support incomes and livelihoods are essential. Evidence and lessons from past crises highlight the range of policy options available to governments, and what is required for effective crisis response (e.g. Bastagli, 2014). Direct support to individuals or households includes direct in-kind (e.g. food) or cash transfers, utility waivers, fee waivers, food subsidies, work- or employment-related transfers such as unemployment benefits, paid sick leave, temporary exemptions from contributions, work-sharing and training schemes. These can be loosely grouped as social assistance (commonly tax- or donor-financed), social insurance and labour market interventions (typically financed by employers and employee contributions, at least in part) that fall under the umbrella term 'social protection'.

Social protection policies are specifically designed to be triggered in the event of unexpected shocks. Having a system in place, especially one with high population coverage and the necessary infrastructure for rapid scale-up to the large numbers of people affected, provides governments with levers to use as a crisis unfolds, and is key to an effective response (Bastagli, 2014). Contexts with weaker systems and programmes with low and patchy coverage can also make use of schemes put in place in response

3 Calculated from data on World Bank Covid-19 Emergency Response Projects (https://www.worldbank.org/en/about/what-we-do/brief/world-bank-group-operational-response-covid-19-coronavirus-projects-list) and government health expenditure for 2017 (latest year available) from the WHO Global Health Expenditure database (http://apps.who.int/nha/database).

to a crisis, and/or introduce new schemes. In fact, crises often act as triggers for the introduction of new policies that then contribute to the establishment or strengthening of social welfare systems in the medium and long term.

An ongoing stocktake of social protection policy responses by Gentilini et al. (2020) shows that, as of 10 April 2020, 113 countries had either introduced or adapted social protection and jobs programmes in response to Covid-19. In comparison with other regions, sub-Saharan Africa has had a comparatively low social protection response to date, with 19 countries having some form of measures in place. The most common has been introducing mechanisms, such as waiving fees or reducing administrative burdens, designed to make it easier to use mobile money transfers to support remittance flows. Governments have also used in-kind transfers (Rwanda is providing food and essential products to vulnerable citizens), school feeding (Liberia is delivering school meals to homes), and waivers on utilities to help boost incomes. There is currently limited recourse to cash transfer programmes, although there are some exceptions (e.g. Guinea and Madagascar).

The Covid-19 crisis highlights the critical role of social protection. It is exposing gaps in policies and systems which will limit what governments can do to contain the economic impact of the crisis and support recovery. A growing number of countries and international organisations are calling for greater collaboration, including international funding, for this important policy instrument. A recent Joint Statement by the Social Protection Inter-Agency Cooperation Board (SPIAC-B) (2020), chaired by the ILO and the World Bank and including UN agencies, the IMF, numerous national governments, non-governmental organisations (NGOs) and think tanks, including the Overseas Development Institute (ODI), calls for urgent action to:

- Ensure access to health services and support people in adopting necessary prevention measures.
- Ensure income security and access to essential goods and services and protect people's capabilities and livelihoods.
- Prioritise the most vulnerable.
- Mobilise substantial domestic and international financing to protect and enhance fiscal space for health and social protection in all countries.
- Ensure continued/scaled up and coordinated delivery capacities of social protection and humanitarian crisis response programmes.
- Design crisis response measures also with a view to strengthening social protection systems in the medium and long term.

2.2.3 Shielding firms and the economy from lasting damage

There are significant problems in the private sector, which provides the majority of jobs. Businesses face a collapse in demand for their goods and services, and in some cases are being forced to temporarily close their doors. Governments can act as insurers of last resort so that hibernating businesses can keep paying their workers (instead of laying them off), and can continue to pay bills such as rent, utilities and interest (instead of going bankrupt) (Saez and Zucman, 2020). This is the approach being taken in the US, the UK and other developed countries.

Being able to protect viable firms matters for the longer-term productivity of economies. If firms close, sell off assets or fire workers, much hard work to build up investment in nascent industries could quickly be undone, and the impacts from the current recession would be long-lasting.

There are a range of financing measures that governments can use to support the cash flow of companies during the crisis. This could include measures to reduce their usual tax burden,[4] providing access to credit, working with the banking sector to defer repayments of business loans and even direct grants to put cash in companies' pockets. Several African countries have also started supporting firms' cash flow.

4 Steel and Philipps (2020) provide a comprehensive overview of tax measures that could be adopted to help respond to the coronavirus crisis in lower-income countries.

Table 3 Summary of example fiscal policy measures to help 'shield' against the impacts of the crisis

Objective of policy	How fiscal policy can support objective	Examples of type of measure available
Shielding individuals from worse health	Provide additional funding for preparedness and response	• Scale up financing for water and sanitation to rapidly increase coverage of basic hygiene and handwashing • Prioritise equipment and supplies that can protect the health workforce (testing, personal protective equipment)
	Support response to additional demands on the health system	• Protect the budgets of essential services where most lives may be lost (e.g. vaccinations, malaria control and reproductive, maternal and child health) • Budget for additional input for facilities and for overtime pay for health workers • Grant greater flexibility and spending authority to frontline service providers so that they can respond rapidly to shortages or stockouts of key supplies (e.g. soap, materials, medicines)
Shielding incomes and livelihoods	Measures that help firms to retain staff	• Temporary exemptions from payroll taxes and social security contributions • Wage subsidies (conditional on employees being retained)
	Social assistance programmes	• Cash and in-kind (e.g. food) transfers • Utility waivers • School meals delivered to homes • Reducing barriers to use of mobile money transfers
Shielding firms and the economy	Supporting cash flow of affected companies to reduce lasting damage to the economy	• Extensions of tax deadlines and deferral of tax payments • Provide small grants/subsidies/interest- free loans to businesses in acutely affected sectors important for jobs and economic transformation • Work with the banking sector to provide moratoriums on debt repayments

Sources: Drawing on Bastagli (2014); Glassman, Chalkidou and Sullivan (2020); Kutzin et al. (2020); Pangestu (2020); Steel and Philipps (2020).

Examples include:

- In Ethiopia, credit facilities have been extended to strategic sectors affected by reduced demand for exports, including manufacturing and horticulture (Zakrzewska et al., 2020).
- The Ghanaian government has put in place a six-month moratorium on principal repayments for businesses that have been particularly affected by the crisis, such as hotels, restaurants, car rentals, food vendors, taxis and Uber operators (The Ghana Report, 2020).

However, African governments have very little fiscal room to adopt the approach taken in developed countries and need external support to provide continued access to liquidity and credit.

2.3 The importance of acting at speed

As well as scale and targeting, the speed of the response matters too; businesses will be making decisions now on whether to lay off staff. Fiscal policy is a quick way of getting money into people's hands, and many governments around the world have moved quickly to put in place economic support packages.

Countries in sub-Saharan Africa face two constraints to ramping up economic support packages. The first relates to the availability of finance. Principles for designing effective packages to shield health systems and economies from the impacts of coronavirus will remain just that – principles – unless financing is available to implement such policies. Increasing international finance quickly is critical (this is discussed in the next section).

A second potential constraint relates to a lack of flexibility in budgetary systems. Much of the emphasis in public financial management reforms in recent years has been on the importance of rules-based and more predictable budgets. In this particular environment, however, speed and flexibility is what's needed. On 11 March the UK government announced £30 billion of support for the economy. By 17 March, just six days later, promises of state-backed loans of £330 billion were being made in response to rapid changes in the economy. Greater flexibility should not mean that governments dispense with processes to account for the use of those funds, but there does need to be a shift in emphasis.

3 The international financing response

3.1 The importance of international finance

International actors have a significant role to play in supporting measures to counter the unfolding health and economic crises precipitated by the pandemic. Providing finance at scale and at speed will help in the short term to protect individual health and livelihoods, but will also reduce the scale of the investments needed later to support economic recovery. International aid and development finance are the only flows that can be counter-cyclical during crises as other financing sources, such as tax revenues, foreign direct investment and remittances, tend to contract as growth rates fall (ODI et al., 2015). As noted above, African finance ministers have called for an additional $100 billion for Africa to address the consequences of the crisis (UNECA, 2020).

A number of proposals have been put forward over the past month on the role international finance could play in containing the immediate impacts of the crisis. These can be broken down into three groups:

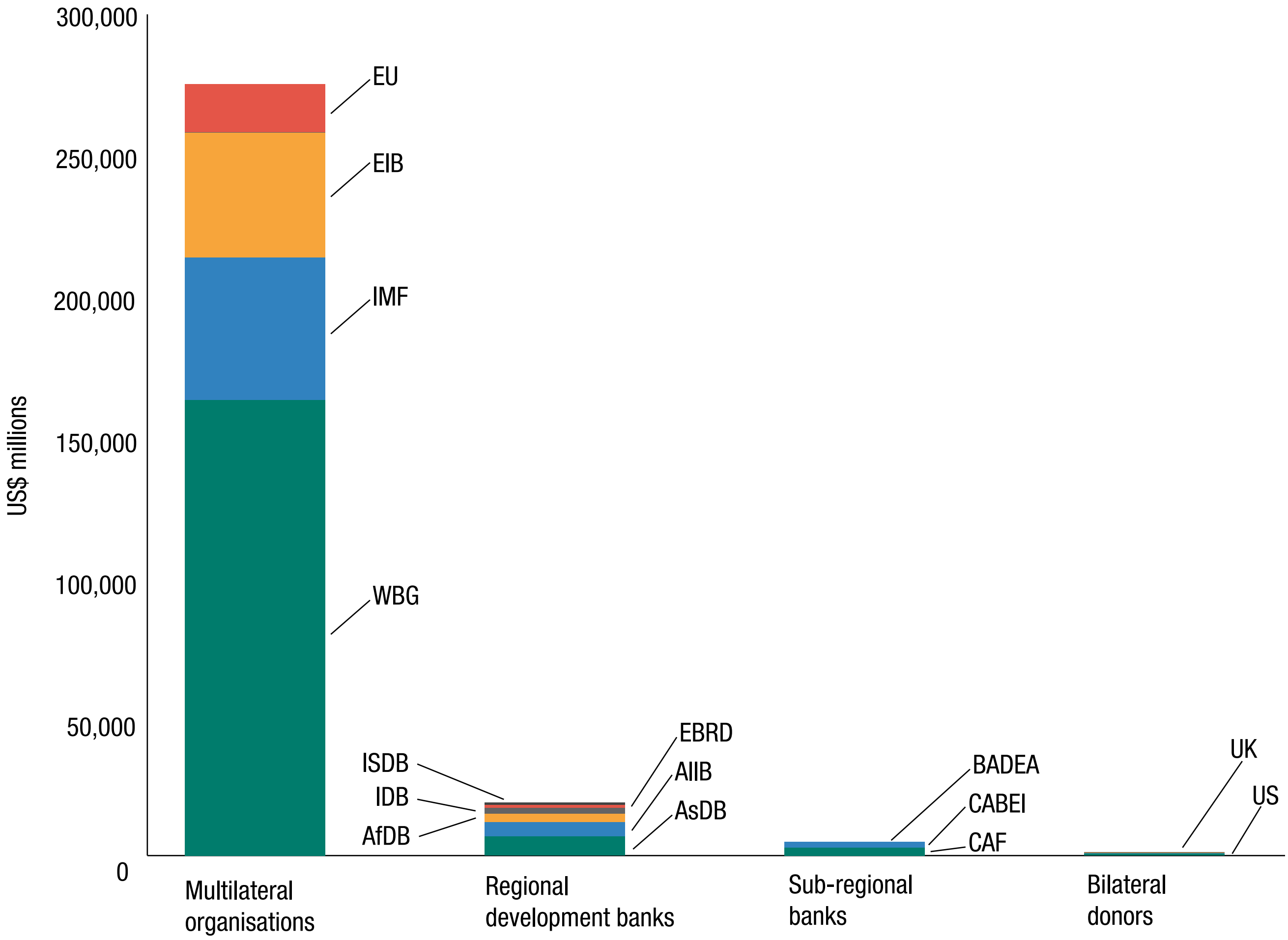
- Facilitating access to foreign exchange through the IMF.
- Enabling governments to increase the scale of fiscal responses to shield health systems, firms and households (through increased lending from multilateral development banks, postponing debt service payments and increased grants).
- Protecting businesses as demand and liquidity decline, for example through DFIs such as the International Finance Corporation (IFC) and the Commonwealth Development Corporation Group.

The pace of the response from the international community has been variable so far, with multilateral organisations reacting faster than bilateral donors (at least in terms of clear commitments). More also needs to be done to translate global commitments to provide additional finance into specific programmes of support at the country level. It is also difficult to gauge what constitutes new and additional commitments, and what is a reprioritisation of previous commitments or the cancellation of debt obligations that were already in distress. Information on how different national governments are supporting financing for the crisis response must be transparent and easily understood if states are to be held to account for making good on their commitments. Figure 3 shows commitments as of 8 April 2020 by bilateral and multilateral donors to international institutions and developing countries as a whole.

3.2 Facilitating access to foreign exchange through the International Monetary Fund

There is a major risk of balance of payments crises hitting economies in sub-Saharan Africa. The economic impact of Covid-19 will be exacerbated by (in certain cases) high debt burdens, as well as pervasive foreign exchange constraints. International investors are withdrawing capital from environments perceived as more 'high risk', irrespective of economic fundamentals. As of 23 March, $83 billion of investments had been moved from emerging markets (IMF, 2020). This is triggering sharp currency depreciations, making debt servicing even more costly (Ghosh, 2020).

Figure 3 Multilateral and bilateral commitments to tackle the Covid-19 crisis (as of 8 April 2020)



Note: Labels refer to donors contributing over $100 million. European Investment Bank includes interventions to support both EU and non-EU states.

Source: ODI tracker on donor responses to the coronavirus (https://set.odi.org/coronavirus-economic-vulnerability-economic-impact-and-economic-policy-response-tracker/)

The IMF has indicated that it is willing to use its current lending capacity (of $1 trillion) to help its members cope with the economic impacts of the pandemic. Countries including Chad, Madagascar, Rwanda, Senegal and Togo have accessed its Rapid Credit Facility or are in discussion with the IMF with a view to doing so, but it is not clear whether the Fund's standard credit facilities are going to be sufficient.

The IMF's special drawing rights (SDRs) constitute claims on the currencies of IMF members and can be exchanged for them. As such, they provide liquidity and can be key in supplementing member countries' official reserves. A number of authors (see for example Gallagher et al., 2020; UNCTAD, 2020; Griffiths, 2020) have suggested that a sizeable one-off SDR allocation targeted to developing countries could help address potential debt and liquidity problems. They rightly argue that an enhanced SDR allocation is more accessible, quicker and more effective in dealing with foreign exchange and liquidity constraints than loan disbursements through the Rapid Credit Facility.

The G20 should direct the IMF to create a new SDR allocation (of another $1 trillion) to bolster members' foreign exchange reserves. This is significantly higher than the roughly $250 billion allocated during the global financial crisis. It could also compensate for the fact that, to date, a multilateral swap facility does not exist.[5] One of the limitations of this proposal is that SDR allocations are linked to IMF quota shares (Africa holds just 3.6% of SDR reserves). For this reason, UNCTAD has argued that the larger additional SDR allocation should be linked to countries' needs, and de-linked from the IMF quota system as an exceptional measure. This would mean that countries with lower incomes that are less able to cope with the crisis get a fairer share of the larger liquidity cushion provided.

3.3 Enabling governments to increase the scale of fiscal response

3.3.1 Scale up finance from multilateral development banks[6]

MDBs have already announced plans to increase their lending, but there is scope to do more. MDBs could triple their non-concessional lending without new contributions from shareholders. The non-concessional lending windows of the World Bank and the five largest regional MDBs,[7] which mostly target middle-income economies, currently stand at just over $460 billion. The MDBs could expand their lending – often described as their additional 'headroom' – by a further $750 billion over current levels without threatening their AAA bond rating by including callable capital from AAA shareholders to calculate capital adequacy.[8] If MDBs risked a one-notch downgrade to AA+, their 'headroom' could rise by $1.3 trillion (see Table 4).

Looking specifically at sub-Saharan African countries,[9] additional resources would be approximately $53.1 billion under the first option, and $89.9 billion under the second (approximately 5% of the potential amounts MDBs could mobilise by including callable capital from AAA and AA+ shareholders to calculate capital adequacy for the AfDB and the IBRD).[10]

Even at a AA+ credit rating, the terms and conditions that the MDBs could offer would still be more favourable than many of their borrowing countries could obtain given the current preference of investors for perceived 'less risky' assets. Furthermore, ramping up MDB lending in response to the Covid-19 crisis does not require any new contributions from shareholder countries. MDBs should be less conservative in their measurement of and approach to capital adequacy, as well as the lending limits written into their articles of agreement, pushing their balance sheets as far as

5 Several central banks in developed economies, including the US Federal Reserve and the European Central Bank, have for decades maintained bilateral swap facilities. These enable participating central banks to access foreign currency liquidity from each other. Since the financial crisis, these agreements have been a key tool in mitigating domestic financial instability. A multilateral swap facility overseen by the IMF could ensure a similar safety net for developing country central banks.

6 This section draws heavily on Humphrey (2020).

7 African Development Bank (AfDB), Asian Development Bank (AsDB), Asian Infrastructure Investment Bank (AIIB), European Bank for Reconstruction and Development (EBRD) and Inter-American Development Bank (IDB).

8 'Paid-in capital and reserves are exactly the same as at any private firm, and are together known as shareholder equity. Callable capital is unique to MDBs. It acts as a guarantee that, should MDBs ever run into financial difficulty, shareholders will contribute additional capital to ensure that bond investors are repaid. MDBs do not include callable capital when assessing capital adequacy' (Humphrey, 2020: 5).

9 Assuming a share of 3.1% of the outstanding IBRD loan portfolio held by sub-Saharan countries in June 2019 (based on 2019 IBRD financial statement) and a share of 59.2% of the AfDB loan portfolio held in December 2018 (based on 2018 AfDB financial statement).

10 These resources would primarily target countries that are either IBRD-eligible (Angola, Botswana, Equatorial Guinea, Eswatini, Gabon, Namibia, South Africa), or classified as blend countries – so borrowing on both concessional and non-concessional terms (Cape Verde, Cameroon, Congo Republic, Kenya, Nigeria and Zimbabwe), but also International Development Association (IDA) and ADF countries applying for non-concessional assistance under the AfDB 2014 Credit Policy, for example.

Table 4 Maximising multilateral development bank non-concessional lending portfolios (US$ billions)

	ADB	AfDB	AIIB	EBRD	IBRD	IDB	Total
Current portfolio (2019)	109.1	26.5	2.1	33.2	195.9	96.5	463.3
Additional headroom for AAA rating	171.6	70.4	13.9	23.2	365.4	100.2	744.7
Additional headroom for AA+ rating	305.9	118.3	22.1	48.8	637.0	191.7	1,323.8

Source: Humphrey (2020).

possible within the constraints imposed by bond markets and credit rating agencies.

Expanding MDB lending comes with risk. For example, expanded lending would lead to a downgrade by the ratings agencies. The best way to mitigate this risk is for the major MDBs to coordinate the expansion of their lending, with support from the G20 members. This will reassure ratings agencies and bond market investors, and greatly reduce the possibility of a rating downgrade or investor flight from MDB bonds.

The scale of the challenge ahead will require additional financial effort from shareholders in addition to the changes to capital adequacy policies described above. Over the next two years, this should include a new round of general capital increases for non-concessional lending ('hard windows') across the MDBs to further boost their lending capacity, as happened in the aftermath of the global financial crisis. Sufficient investments in recovery from the crisis will also require shareholders to support more generous replenishment rounds of the concessional finance windows (or 'soft windows') of MDBs and vertical funds. This is especially pressing for replenishment rounds (such as Gavi and International Fund for Agricultural Development) that are expected to be completed this year.

3.3.2 Postponing payments on debt servicing

A voluntary debt standstill on external public debt can be an important mechanism through which significant existing domestic resources can be immediately released and reallocated to the fight against Covid-19. A standstill on external debt service[11] (public and publicly guaranteed debt) for the 36 sub-Saharan African countries for which information on projected debt servicing costs is available could potentially free up to $47.2 billion over the next two years, giving countries some much-needed fiscal space to respond to the pandemic (see Table 5). This figure would be much larger if other sub-Saharan countries are included, with 44 spending $35.7 billion in external debt service in 2018.

However, getting all external creditors to agree to a standstill is no easy task given the increasingly complex creditor landscape and the absence of a statutory regime to deal with sovereign debt issues. When the IMF and World Bank launched their heavily indebted poor countries (HIPC) debt relief programme in 1996, African nations mainly owed money to the Paris Club creditors and multilateral institutions. A review of the composition of debt payments in recent years (see Table 5) illustrates this greater complexity. Sovereign bonds accounted for 40% of total external debt service payments for sub-Saharan Africa[12] in 2018. In Zambia, non-Paris Club creditors account for 17% of external debt service, compared to 5.6% owed to Paris Club bilateral creditors and multilateral creditors in 2019 (IMF, 2019). In Ethiopia, China accounts for 24% of central government external debt service, compared to 5% to all

11 Seventeen countries defined external debt using the residency criterion, eight countries used the currency criteria but reported no material difference between the residency and currency criteria, eight used the currency criteria and reported a material difference between the two, and three did not specify the criteria used.

12 Many countries do not have large sovereign bond portfolios. This amount is accounted for by just 14 of the 44 countries.

Table 5 External debt service for 36 countries in sub-Saharan Africa

	2016	2017	2018	2018 (all)	2020p	2021p
Total	8.9	10.8	13.9	35.7	23.1	24.2
Multilateral	2.0	2.3	3.1	4.5	–	–
Bilateral	3.6	4.1	4.8	9.4	–	–
Bonds	1.3	2.1	2.3	14.6	–	–
Commercial banks	1.4	1.7	2.9	5.9	–	–
Other private	0.5	0.5	0.9	1.7	–	–

Notes: This includes 36 sub-Saharan countries classified as lower-income economies for which information on projected debt servicing costs is available. Column '2018 (all)' refers to 44 sub-Saharan Africa countries with data. Column '2020p' figures are projected debt servicing costs, while previous years are actuals.

Source: World Bank (2020b); projections for 2020 and 2021 are based on the most recent publicly available debt sustainability analysis for each country.

Paris Club creditors in 2019 (GoE, 2020). Negotiating a standstill is complicated by the lack of information publicly available on whom debt is owed to. African finance ministries could consider publishing this type of information to support such efforts.

Widespread creditor participation in a standstill is critical to its effectiveness and to minimise possible negative impacts. First, some official bilateral creditors may be reluctant to provide debt relief if there is a risk that government funds will be used to repay other creditors, rather than mitigate the impact of coronavirus. Bilateral creditors will not for instance want to be accused of bailing out private lenders. Second, issuers of international sovereign bonds need to proceed with caution given the spike in maturities in 2024 and 2025. Failure to make a coupon payment on an international sovereign bond due in 2020 and 2021 would most likely be regarded as a default by ratings agencies, which in turn could adversely affect the sovereign borrower's rating and access to international capital markets in the future. Third, while some private sector creditors may voluntarily participate in a standstill, there are likely to be some litigious creditors. Although Collective Action Clauses (CACs) for sovereign bonds can offer some protection against this type of creditor (where they exist), more action will be needed to limit the sovereign borrower's legal exposure.

Creative solutions therefore need to be explored in order to encourage creditor participation. One option involves amending the sovereign immunity laws in the US and the UK – the jurisdictions whose laws govern most emerging market sovereign bonds – to permit the courts to halt lawsuits against countries where the IMF concludes that normal debt service is impossible given the current crisis (Buchheit and Hagan, 2020). Protecting sovereign assets from the judicial process can also discourage litigation and has been done in the past in the case of Iraq and its oil assets (Buchheit et al., 2020). A central coordination mechanism is also needed to assist in implementing a standstill and should consist of sovereign borrowers and representatives of the official and private creditor community.

3.4 Increased financial commitments from bilateral donors to support the overall response

Amid calls for some of these more 'creative solutions', it is important not to lose sight of the financial commitments being made by bilateral donors. Bilateral donors should boost their development cooperation programmes, not only protecting current ODA commitments – as DAC members outlined in their press release of 9 April (OECD, 2020) – but also expanding them at least by an equivalent of 0.7% of their economic response packages. This would indicate global solidarity against a global threat. During the global financial crisis, then World Bank president Robert Zoellick proposed a 'Vulnerability Fund' for low-income countries amounting to 0.7% of the stimulus packages of rich economies – reflecting the 0.7% ODA/GNI commitment (see Mold et al., 2009). A similar pledge during the current crisis could generate additional resources of nearly $30 billion,[13] a 28% increase on current ODA disbursements by bilateral DAC members.

Bilateral donors should as far as possible channel additional financial commitments through instruments that allow for rapid disbursements. A rapid response to the crisis – to mitigate its consequences before they escalate – requires flexible instruments and the rapid deployment of resources. This could involve channelling bilateral resources towards those development partners that already have budget support programmes in place, notably the EU, as well as delegating as much as possible to local implementers, accepting a higher degree of risk tolerance.

3.5 Development finance institutions and support for firms[14]

DFIs – whose majority shareholders are governments – usually provide finance on commercial terms, additional to the market, to the private sector in low- and middle-income countries. There is a risk that the current crisis causes past investments made by these institutions to fail. Governments therefore urgently need to work with DFIs to consider these three options:

- **Fast-track response.** DFIs need to fast-track increased finance to support investments even if they are risky. This means temporarily lifting stringent criteria on financial returns. This would protect perfectly good firms from the current recession.
- **Moratorium on repayments.** DFIs should allow investee companies a holiday on interest and loan repayments for 2020 (similar to mortgage payment holidays, or the Compensatory Credit Loan already used by the Agence Française de Développement (AFD) for some loans to African countries), or link payments to future profits. Postponing payments this year may temporarily reduce the value of the portfolio, but the additional space may at least keep investors afloat, with a development, and indeed potentially a financial, pay-off later.
- **Bounce Back Better facility.** A new facility would provide interest-free loans to transformative firms that support large numbers of workers and livelihoods (e.g. garment or flower farm workers). It should also provide credit to retool manufacturing facilities for the public good (e.g. protective gear such as face masks or hand sanitiser).

Griffith-Jones and te Velde (2020) give detailed examples of how European DFIs (EDFIs) and IFC responded to the global financial crisis. The authors argue that DFIs were not sufficiently counter-cyclical during the global financial crisis. New commitments by EDFIs were lower in 2009–2012 (annual new investments of $6.4 billion) than in 2007–2008 (annual new investments of $7.9 billion). New IFC commitments in 2009 ($11.5 billion) were lower than in 2008 ($11.5 billion) but higher afterwards ($13.5 annually for 2010–2012). DFIs increased the value of portfolios more than private banks, but could have raised it much further.

13 Based on announcements as of 3 April of economic support packages of 10 DAC members (Australia, Canada, the European Union, France, Germany, Japan, South Korea, Italy, the UK and the US).

14 This section draws from Griffith-Jones and te Velde (2020).

4 Summary of key recommendations

To date, thankfully the number of cases and deaths from the coronavirus in sub-Saharan Africa remains relatively low. There is however reason to fear that poorly funded health systems could be quickly overwhelmed if the case count picks up. Economies across the continent are also feeling the pain of a global economic shock, followed more recently by the impacts of domestic policies to contain the spread of the virus. Policy responses in countries in Asia and Europe that imposed lockdowns earlier point to certain principles that can help in the design of fiscal policies aimed at shielding health systems, firms and households (see Box 1).

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

Box 1 Summary of principles in the design of 'shield packages'

Specific policy design will vary across countries, and the costs and benefits of measures to contain the virus will also differ. Irrespective of these differences, fiscal policy has an important role to play across three key dimensions.

Shielding individuals from worse health
Fiscal policy needs to support the overall health system, not just finance a response to the direct effects of the virus. This means investing not only in new equipment, but also, for instance, funding overtime of health workers.

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

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

Various proposals to increase the availability of international finance are on the table to support governments in coping with the crisis. African finance ministries have requested international financial support equivalent to $100 billion. Box 2 summarises a set of recommendations that could be implemented to reach that figure.

Many of these proposals require richer country governments to commit additional resources (or take on greater risk) at a time when they are making unparalleled investments in protecting the livelihoods of their own citizens. Successful containment in countries with weak health systems is however in these countries' national interest if longer-term control of the virus is to be achieved.

There is also a moral imperative at play here. African governments should not have to bear sole responsibility for financing the response to the crisis. Much of the global economic dislocation stems from decisions being taken to protect citizens in richer countries. If the pain of beating the coronavirus pandemic is being felt internationally, then it is also critical that international solidarity be shown in the response. The health and livelihoods of millions of people depend upon it.

Box 2 Recommendations on international financing to enable more effective responses to the crisis

Facilitate access to foreign exchange through the IMF

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

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

2. Rethink the financial policy of MDBs by including callable capital of shareholders rated AAA and AA+ in capital adequacy calculations, and by reforming MDB statutory lending limits. These reforms could expand the headroom of MDBs by up to $1.3 trillion, from current levels of just above $450 billion, across all developing countries. These figures would be equivalent to up to $89.9 billion for sub-Saharan Africa.
3. Mitigate the risks of expanding MDB lending by ensuring strong coordination among the major MDBs, with the explicit support of the G20 and other shareholders.
4. Over the next two years, plan for general capital increases for the MDBs and expand allocations for replenishment rounds of MDBs and vertical funds.
5. Freeze debt service payments in 2020 and 2021.
6. Seek creative solutions to encourage creditor participation in a standstill. For private creditors, this includes using existing contractual provisions where possible, as well as adopting legal measures to protect sovereign assets from litigation.

Increase financial commitments from bilateral donors to support the overall response

7. Donors commit at least 0.7% of their fiscal response to expand ODA budgets.
8. Use more flexible and rapid instruments, including channelling resources via providers of budget support and local actors.

Use development finance institutions to promote immediate liquidity to protect private sector jobs

9. Allow for a moratorium on interest and debt repayments.
10. Loosen up credit criteria to allow DFIs to take on more risk when supporting counter-cyclical financing to help economies bounce back.

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