G20 COMPACT WITH AFRICA

CWA Private Sector Investment Report

Africa Advisory Group Meeting

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CWA COUNTRIES
»Benin »Burkina Faso »Côte d'Ivoire »Egypt »Ethiopia »Ghana »Guinea» Morocco »Rwanda »Senegal »Tunisia »Togo

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Table of Contents

Executive Summary ... 4
1. Macroeconomic, Trade and Investment Overview ... 6
Recent Investment Trends in CWA countries ... 7
Trade Dynamics ... 9
Impact of the COVID-19 crisis on Firms – Recent findings of the Business Pulse Survey ... 14
Survey of Foreign Investors / Multinational Enterprises (MNEs) ... 15
2. Looking forward – The recovery phase: Energize Investment, Create Markets and Build Back Better ... 17
Analysis of policy measures by CWA countries and COVID-specific responses ... 17
Key recommendations for post-COVID recovery support to private sector ... 19
Annexes ... 22
Annex I: Sector Snapshots ... 22
Digital Infrastructure ... 22
Energy ... 25
Transport ... 28
Financial Services to SMEs ... 30
Agribusiness ... 33
Manufacturing ... 36
Tertiary Education ... 40
Private Health ... 43
Tourism ... 46
Annex II: Recommendations from the Country Private Sector Diagnostics (CPSDs) ... 53
Annex III: Policy Reponses to COVID-19 - IMF Policy Tracker ... 54

Executive Summary

The G20 Compact with Africa (CWA) was launched in 2017 under the German G20 Presidency to promote private investment in Africa. The CWA's objective is to increase attractiveness of private investment through substantial improvements of the macro, business and financing frameworks. It brings together reform-minded African countries, international organizations and bilateral partners from G20 and beyond to coordinate country-specific reform agendas, support respective policy measures and advertise investment opportunities to private investors. The initiative is demand-driven and open to all African countries. Twelve countries have now joined the initiative: Benin, Burkina Faso, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo and Tunisia**.**

The Africa Advisory Group (AAG), which coordinates and advances the CWA initiative, reports bi-annually to Ministers and Governors on progress, future ambitions and measurable targets in each Compact country. As part of its contributions under the Compact, IFC provides updates on the main FDI trends impacting Compact countries. This complements the overall monitoring report by the World Bank Group, which focuses on the qualitative trends and reform work under the CWA. IFC also supports the reform work under the CWA through a package of advisory services in partnership with Germany, Norway and the Netherlands. The support by these development partners also extends to the analytical work of the Country Private Sector Diagnostics (CPSDs), which so far has covered 10 out of the 12 Compact countries. As shown in Annex II, these CPSDs reinforce the need for CWA countries to complete the cross-cutting policy reforms they have committed to as part of the CWA reform matrix, they also spell-out additional and critical sector specific reforms in key sectors which are discussed in Annex I.

This report was produced as a collaborative effort across the WBG and IMF and provides an updated overview of the impact of the crisis at the macro, sector and firm levels. It also analyses the key challenges and opportunities for CWA countries to build back better in a post-COVID world. Finally, the report looks at policy levers to support a faster and more resilient recovery effort post-crisis, drawing from recommendations by the WBG taskforce 1, focused on the COVID crisis response to the private sector.

The fifth edition of the investment report comes at a critical time for Compact countries. The COVID-19 pandemic has significantly disrupted international trade and investment flows, while the increased debt burden and fiscal imbalances in many Compact countries have heightened macroeconomic risks. This is particularly sensitive in a time where resources are needed to combat the effects of the pandemic, both from a public health and economic recovery perspective.

Despite the severe shock of the COVID-19 crisis, the analysis shows indications that the previous efforts focused on improving the business environment have helped CWA countries better weather the storm. Efforts to improve macroeconomic stability have strengthened the resilience of many CWA against these shocks. The economic slowdown in CWA countries is forecasted to be less severe than many other emerging markets and developing economies.

Looking at the investment dynamics, CWA countries look relatively more resilient over the past 12 months when compared to the rest of Africa. However, a sharp slowdown has taken place during Q2 2020 as the impact of COVID becomes apparent. Cross-border investment announcements (CBI) to CWA countries over last 12 months remained strong, with growth at 5% y/y, compared to a 28% drop for the rest of Africa. CBI inflows to CWA countries over the 12-month period between July 2019 and June 2020 reached $31.3bn,

compared to $29.9bn during the previous year, but with a marked slowdown in the second quarter. Inbound FDI for the rest of Africa during this same period, declined from $42.9bn to $31.0bn. From a sectoral perspective, the analysis shows increased investment announcements in renewable energy, manufacturing (especially chemicals, food & beverage, automotive, packaging), ICT infrastructure and business services.

On trade, in recent years export performance in CWA countries outpaced peers – a distinct bright spot. During 2019, export growth averaged 6.6 percent, already significantly higher than emerging markets and developing economies (0.9 percent). However, export growth is projected to plummet to –9.5 percent in 2020 (below the –6.5 percent projected for EMs and LIDCs). In historical perspective, the trade dip is sharper but shorter in time during the COVID-19 crisis compared to the Great Recession, particularly for exports. The drop and recovery were sharpest for mining and manufacturing products. Exports of agricultural products were less affected with notable exceptions such as grapes and oranges (Egypt), coffee (Rwanda) and mangoes (Senegal).

According to the recent WB Business Pulse Survey, impacts at the firm level appear to show a deep and persistent shock, with widespread firms closures in the short-term and the negative impact on sales. Surviving firms are holding on to workers in short term, while digital adoption has been limited (around 30% of surveyed firms). Uncertainty weighs on recovery prospects, especially among firms that have experienced larger drop in sales. Crucially, more uncertainty is correlated with more workers being laid off. Policy support can help but is not reaching enough firms. Policy support helps firms to avoid falling into arrears and reduces uncertainty, but it is reaching a minority of firms, too few especially in poorer countries.

In this context, the focus on supporting private investment through the different stages of the pandemic – rescue, restructuring and recovery – becomes a critical pillar of the broader COVID response strategy. By facilitating the conditions for private investment to withstand the shocks from this crisis, CWA countries will be better positioned to enjoy a faster recovery, while strengthening its resilience against future shocks.

CWA countries should pay increasing attention to regional integration and urbanization as growth and investment drivers in the future to complement the pre-COVID drivers. Global supply chain disruptions strengthen the case for developing intra-regional value chains to unlock growth potential, e.g. through the African Continental Free Trade Area (AfCFTA). This includes emerging opportunities around food products, manufacturing, housing and urban services, and leveraging the digital economy. Our recommendations also entail a number of "don'ts" to ensure the drivers of productivity growth and macroeconomic stability are preserved - e.g. do not introduce protection from imports, avoid permanent measures on debt and tax payments, do not support firms which were not profitable before the crisis.

Looking forward, it will be important to calibrate CWA policy responses in the context of post-COVID recovery efforts. This includes evaluating the likely post-pandemic landscape for private sector development and seize the opportunity to "build back better". This includes reviewing corporate solvency frameworks, promote upstream market-creating reforms to crowd in the private sector – including through PPPs, accelerating ICT adoption and further enhance risk management systems against future shocks, including those related to climate change.

1. Macroeconomic, Investment and Trade Overview

A gradual road to recovery underpinned by ongoing support to ensure macroeconomic stability

The developing world faces the unprecedented challenge of protecting the private sector from the impact of the global pandemic and its ripple effects. Addressing a crisis of this scale, which represents a synchronized shock affecting the whole world, requires the sovereign to step in as a purchaser and insurer of last resort. Governments have the responsibility to mutualize losses and thereby protect the private sector, on which so many livelihoods depend. Yet, the pressing need for government support faces the hard reality of tight fiscal constraints in many developing countries.

In this context, the WBG and IMF have stepped in with emergency response operations to support macroeconomic stability while providing much needed resources to address immediate crisis response initiatives. Compact countries had established a track record of maintaining macroeconomic stability through 2019. At the outset of the COVID-19 crisis, 6 CWA countries had IMF-supported programs in place (involving loans amounts of US$3.1 billion). As of October 5, 2020, the IMF's Executive Board had approved emergency financing for 9 of the 12 CWA countries, providing additional financing of US$6.7 billion to support the COVID-19 pandemic response. This includes augmentations of IMF-supported programs in Benin and Togo that provided US$200 million in additional financing and the new IMF-supported program in Egypt that provided an additional US$5.2 billion in resources. In addition, 6 of the poorest compact countries are receiving US$72 million in immediate debt relief under the Catastrophic Containment Relief Trust (CCRT), creating more room to meet exceptional balance of payments needs during the pandemic.

The WB provided support to CWA countries totaling $2.0 billion, of which $342 million through its Fast-Track Facility and $1.67 through DPOs. In addition, IFC has deployed a total of $8 billion in fast-track financial support to existing clients to help sustain economies and preserve jobs during this global crisis. Several IFC clients in CWA countries have benefited from this facility, distributed across the areas of working capital solutions, real sector crisis response facility, global trade finance and liquidity programs, and critical commodities finance program.

Growth performance

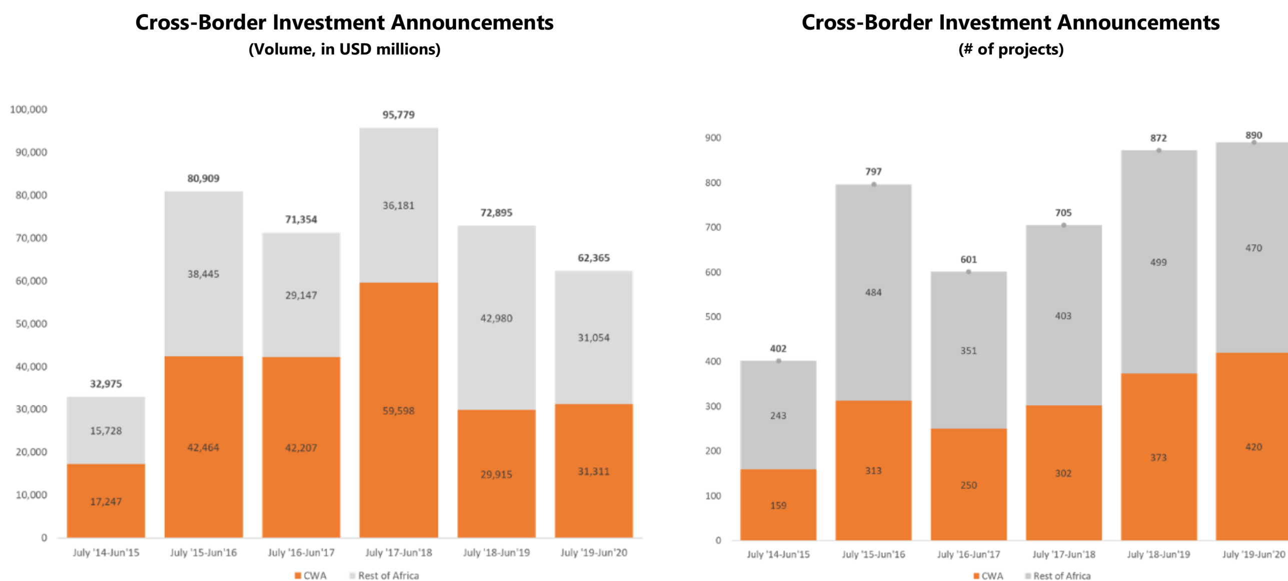
Growth in CWA countries accelerated since the initiative's launch, and outpaced emerging market and developing country peers. Given relatively strong macroeconomic fundamentals, in 2020 (weighted) GDP growth is expected to slow to 1.1 percent (down from 5.5. percent in 2019), compared to –3.3 percent in emerging market and developing economies (down from 3.7 percent). The vigorous/strong response to COVID-19 in North Africa (NA) CWA countries saved lives, but the economic impact of the crisis was felt strongly in tourism and remittances and compounded by the oil shock. GDP growth in Tunisia and Morocco is now projected to be –7 percent in 2020, whereas growth is Egypt is expected to slow to 3.5 percent (down from 5.6 percent in 2019). Sub-Saharan Africa (SSA) CWA countries are also expected to experience a sharp slowdown to 1.2 percent GDP growth (weighted) in 2020 (down from 7.2 percent in 2019), reflecting the confluence of shocks: contracting real exports, falling export prices, less capital and remittance flows, and containment measures. A bright spot is that the impact of the crisis on hard-won gains in income and poverty reduction in CWA countries is expected to be somewhat muted on average, with projected per capita GDP growth of –0.9 percent in 2020 and 1.2 percent in 2021. However, this also masks wide variation across countries, with per capita GDP in Morocco and Tunisia hard hit by a decline of almost 8 percent in per capita GDP in 2020.

Debt vulnerabilities

Public debt in CWA countries was elevated compared to emerging market and developing countries but had been on a downward trajectory. The current crisis is projected to reverse this trend. Debt ratios among CWA countries fell by 9 percentage points of GDP between 2017-19, in contrast to an average increase of 4 percentage points among emerging markets and developing countries over the same period. Declining debt ratios were made possible by fiscal adjustment through expenditure compression adjustment in recent years, as revenues remained broadly unchanged (at about 20 percent of GDP). The current crisis is projected to reverse the bulk of these hard-won gains, with public debt expected to rise by 7 percentage point in 2020–21. In addition, wide disparities in debt vulnerabilities across CWA countries persist, with a few countries already at continued high risk of debt distress (Ghana, Ethiopia).

Recent investment trends in CWA countries

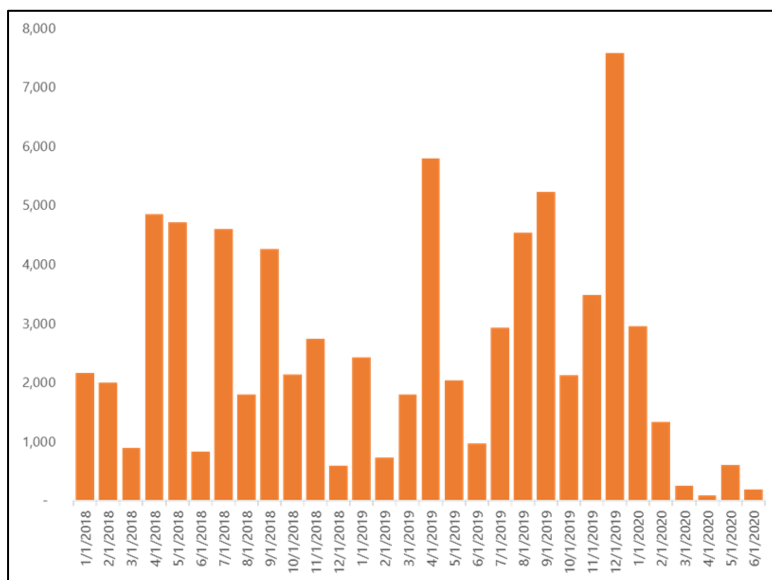
Despite the onset of the COVID-19 crisis, CWA countries appear to have performed relatively better in terms of investment attraction when compared to the rest of Africa. During the 12-month period between July 2019 and June 2020, cross-border investment announcements (CBI) to CWA countries grew by 5% (from $29.9 bn to $31.3bn) while dropping 28% for the rest of Africa (from $42.9bn to $31.05bn). The positive trend was also reflected through an increase in the total number of investment projects announced during this period, from 373 to 420 projects. Meanwhile, the rest of the continent saw a decrease in number of projects announced during this period, from 499 to 470.



***Source**:: fDi Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (IFC) / Global Macro and Market Research (IFC)*

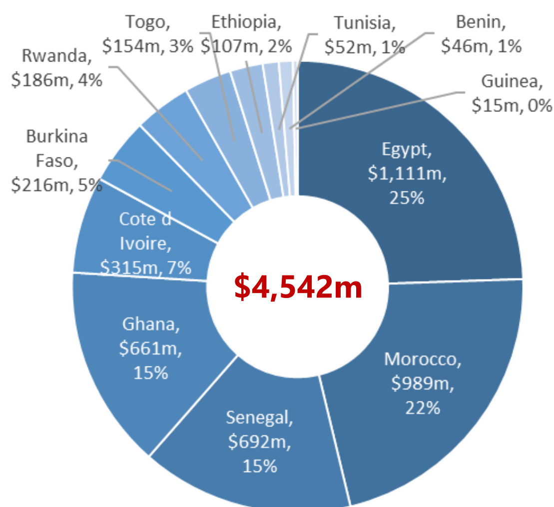
However, the seemingly strong performance over the last 12 months shrouds two key trends during the first half of 2020. Sharply weaker CBI flows in 2020 as investors retrenched globally, and especially in Q2 2020 when CBI activity virtually halted. Compared to -8% y/y drop in Q1 2020, Q2 saw a precipitous drop of 90% y/y, bringing a total drop of 61% during the first half of 2020.

Monthly CBI Flows in CWA Countries, US$m

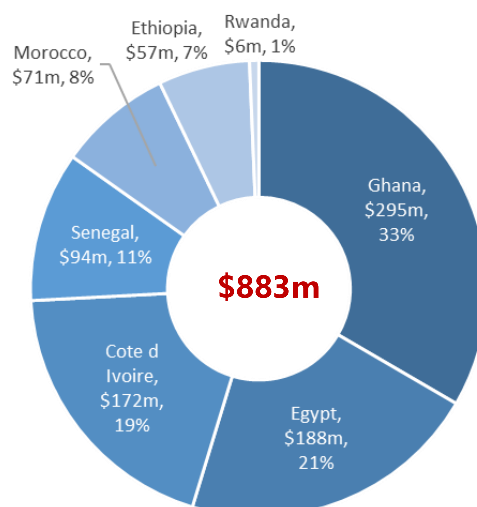


Performance was uneven within the CWA group of countries; most CWA countries saw a sharp decline in Q2 2020, and some smaller economies (Guinea, Tunisia, Togo, Benin, Burkina Faso) saw zero CBI in Q2 2020.

CWA Flows in 1Q 2020 by Country

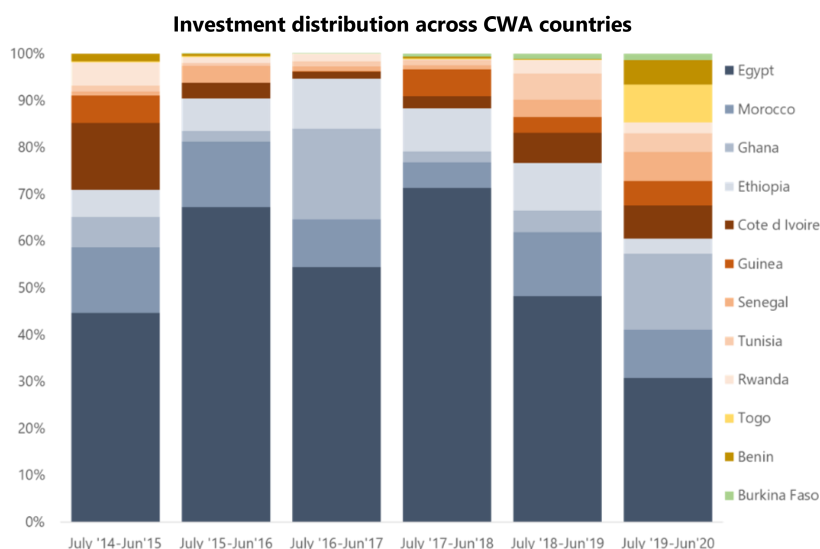


CWA Flows in 2Q 2020 by Country



***Source**: fDi Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (IFC) / Global Macro and Market Research (IFC)*

Allocation of investments across CWA countries have also become more balanced. While Egypt still attracts the largest volume of investments, Ghana and Morocco also recorded notable performance. Smaller economies within the CWA group of countries, such as Togo and Benin, have seen a marked increase in investment announcements over the past 2 years ($2.5bn and $1.7bn respectively, primarily in the chemicals/fertilizer and oil & gas sectors), contributing to a more balanced distribution of investment allocation among the CWA countries[1].



***Source**: fDi Markets, a service from the Financial Times Ltd.; calculations by Country Economics and Engagement (IFC) / Global Macro and Market Research (IFC)*

From a sectoral perspective, the analysis shows increased investment announcements in renewable energy, manufacturing (especially chemicals, food & beverage, automotive, packaging), ICT infrastructure and business services. Meanwhile, other sectors which traditionally attracted large investment volumes in the past, such as natural resources/extractive industries and real estate/construction, have experienced a relative decline over the past year. Investments in the logistics and transportation sectors have also dropped sharply in recent months, following the decline in global trade flows due to the COVID-19 crisis.

Trade Dynamics

In recent years, export performance in CWA countries outpaced peers – a distinct bright spot. During 2019, export growth averaged 6.6 percent, already significantly higher than emerging markets and developing economies (0.9 percent). However, exports are expected to fall sharply in 2020, by some 9.5 percent, compared with an average decline of 6.5 percent projected for EMs and LIDCs. As for the impact on the current account, the compression of import demand during containment, and lower oil prices in non-oil exporters, will partially offset the loss of tourism receipts and remittances, leading to a modest widening of the (weighted) average current account deficit from 4.3 percent of GDP in 2019 to 4.7 percent in 2020.

Global merchandise trade has been on a strong recovery path following the sharp drop in April 2020. In April 2020, global trade plummeted at the fastest month-to-month rate since 2000, amid widespread lockdowns associated with the COVID-19 crisis (Appendix Figure A1). Nevertheless, trade recovered swiftly – much faster than during the Great Recession - bottoming out in the May 2020 and surging at historical rates in June and July 2020. Despite the progress, trade is still below the last year's levels.[2]

CWA countries have also experienced trade declines in connection with the COVID-19 outbreak. To examine the trade trends of CWA countries in the recent months we rely for the most part on mirror trade reported by selected trading partners of the CWA countries. We also use monthly aggregate trade provided directly by three CWA for which such data are available (Egypt, Morocco and Tunisia).

[1] A detailed breakdown of investment announcements by CWA country/sectors is available in the annex.
[2] For more details on the global trade slowdown and recovery see the World Bank's COVID-19 Trade Watch series at https://www.worldbank.org/en/topic/trade/brief/trade-and-covid-19).

In the first seven months of 2020, the total goods trade values of Egypt, Morocco and Tunisia have declined by 16 percent for exports and 24 percent for imports, compared to the same period of 2019 (Table 1). Trade dropped sharply in March and April 2020 and recovered in the subsequent months, at an accelerated pace in June 2020 and a softer one in July 2020. The YoY recovery appears more pronounced in exports than in imports, as the latter have continued to see double-digit drops on a YoY basis through July 2020. In historical perspective, the trade dip is sharper but shorter in time during the COVID-19 crisis compared to the Great Recession, particularly for exports (Figure A2).

Table 1. MENA countries in CWA exports and imports growth, Jan-July 2020 (YoY and MoM percent change)

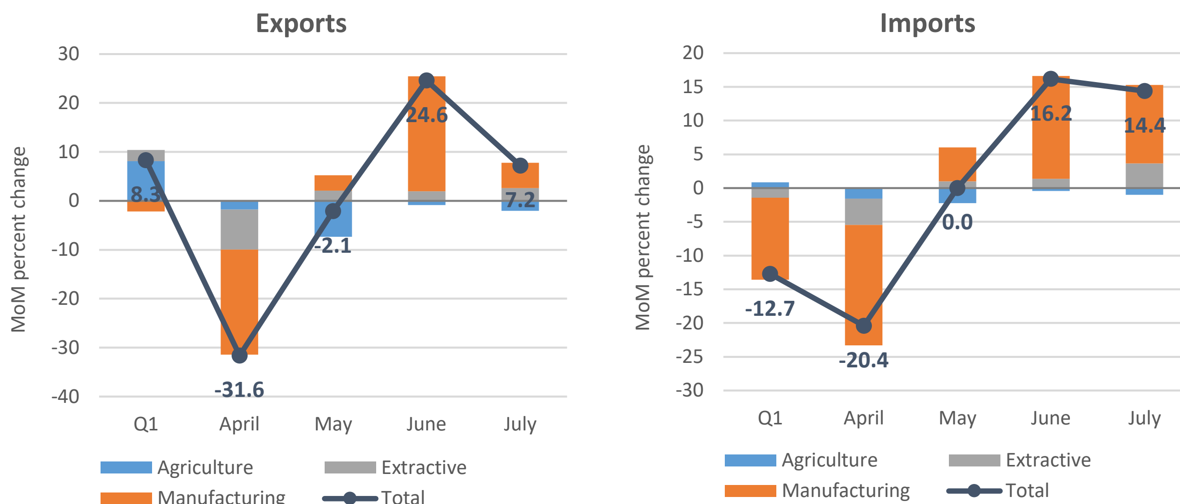
	MoM percent change				YoY percent change			
	Egypt	Morocco	Tunisia	**All**	Egypt	Morocco	Tunisia	**All**
Panel A. Exports								
Jan-20	-4.1	3.5	6.4	**0.9**	1.4	0.5	2.7	**1.3**
Feb-20	8.5	-2.7	6.6	**3.6**	3.3	-0.8	8.3	**2.7**
Mar-20	-16.9	-16.5	-26.5	**-18.8**	-18.0	-30.5	-25.5	**-24.7**
Apr-20	-17.8	-36.4	-32.1	**-27.8**	-32.3	-49.8	-47.0	**-42.1**
May-20	-14.5	50.0	19.6	**13.6**	-42.4	-23.1	-35.0	**-33.4**
Jun-20	43.0	7.2	38.7	**26.1**	-2.2	-9.2	2.1	**-4.2**
Jul-20	-4.2	-7.1	2.2	**-4.0**	-2.8	-6.4	-10.9	**-6.0**
Jan-Jul 20					**-14.2**	**-17.9**	**-15.5**	**-15.9**
Panel B. Imports								
Jan-20	-12.0	0.2	-8.0	**-7.1**	-18.4	0.6	-7.9	**-10.5**
Feb-20	-12.7	-6.3	13.0	**-6.5**	-29.9	-0.1	18.2	**-13.9**
Mar-20	6.2	-1.2	-22.8	**-1.7**	-30.6	-16.9	-23.3	**-24.9**
Apr-20	-15.0	-23.7	-19.6	**-18.9**	-40.1	-36.2	-44.8	**-39.5**
May-20	-0.9	-9.3	9.2	**-2.5**	-38.7	-35.7	-32.4	**-36.8**
Jun-20	33.7	22.5	5.1	**25.5**	-2.2	-21.2	-21.7	**-12.0**
Jul-20	-20.3	4.2	14.5	**-7.8**	-31.0	-17.3	-15.6	**-24.1**
Jan-Jul 20					**-27.9**	**-18.5**	**-19.5**	**-23.6**

Sources: World Bank estimates based on World Bank Global Economic Monitor.

Mirror trade statistics also indicate a decline and recovery during the COVID-19 crisis and its aftermath. We examine the product-disaggregated bilateral trade between the CWA countries and five major economies, namely China, the E.U., Japan, Switzerland and the United States, as reported by the latter. These five economies are important trading partners for most CWA countries. Nine CWA countries send at least 35 percent of their exports to the five destinations (see Table A2 for details). Moreover, all 12 countries are sourcing at least 35 percent of their imports from China, the E.U. Japan, Switzerland and the United States. For ten out of the 12 countries, the share exceeds 45 percent. As shown in Figures 1a and 1b, the total trade between the CWA countries and the five major economies follows the global trends, declining sharply in the spring of 2020, recovering since May, but yet to catchup with previous year's levels. The aggregate growth rates appear to be driven primarily by manufacturing goods, reflecting the dynamic of manufacturing trade and the large share of the latter in the total goods trade of each country[3]. Extractives also have a significant contribution especially in the YoY comparisons, due in part to the recent fluctuations in oil prices.

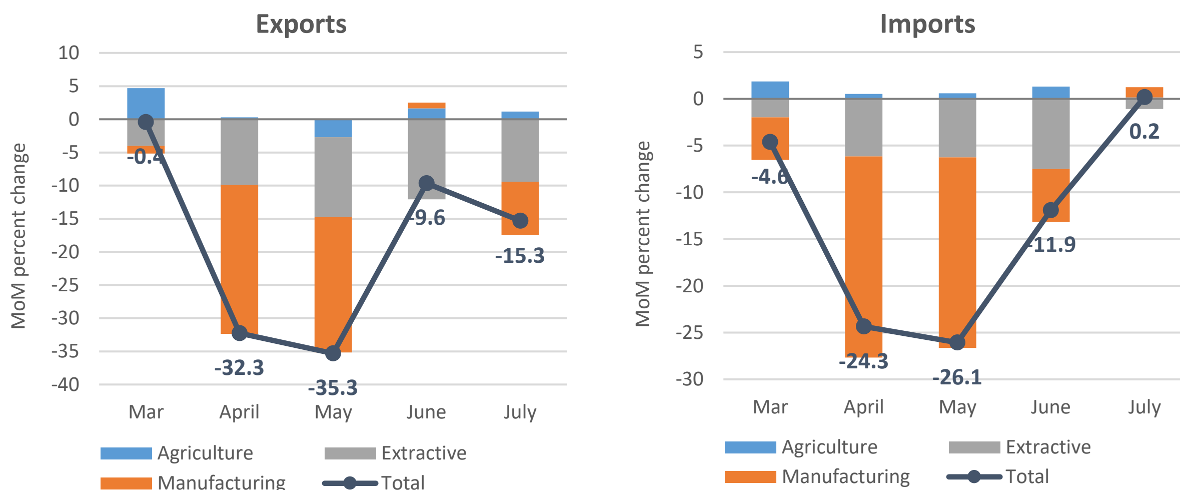
[3] In particular, for Morocco and Tunisia the manufacturing share in both exports and imports exceeds 70 percent.

Figure 1a. CwA members' aggregate trade with five economies (China, EU, Japan, Switzerland, US), 2020 (percent change relative to previous period and sector's contributions)



***Source**: World Bank staff estimates using official data from China, Eurostat, Japan, and the United States. **Note**: Trade flows for EU only include extra-EU trade due to data availability. Mirror trade based on reporting by China, the E.U., Japan, Switzerland, and the United States. Growth rates for Q1 2020 are relative to Q4 of 2019. Q1 is used because China data are not available for January 2020 separately from February 2020.*

Figure 1b. CWA members' aggregate trade with five economies (China, EU, Japan, Switzerland, US), 2020 (YoY percent change and sectors' contributions)



***Source**: World Bank staff estimates using official data from China, Eurostat, Japan, and the United States. **Note**: Trade flows for EU only include extra-EU trade due to data availability. Mirror trade based on reporting by China, the E.U., Japan, Switzerland, and the United States.*

The specific product groups that have driven the trade recovery in July 2020 on a month on month basis include primarily apparel and textiles, machinery/electrical equipment, and minerals for exports, as well as transportation equipment and minerals for imports. These are also the sectors with the largest contributions to the trade decline in April 2020 (Tables 2 a and b). Furthermore, some of them, such as apparel, electrical and transportation equipment, are known for their deep integration in GVCs. The trade dynamic of these sectors in the CWA countries corroborates and strengthens the evidence found for other countries and documented in World Banks's Trade Watch publication, that GVC-related trade has been more severely affected by the COVID-19 crisis, but is also leading the recovery.

Table 2a. Mirror exports of CWA countries, by commodity, Jan-July 2020 (MoM percent change)

	Exports (mirror)									
	MoM percent change (%)					***Contributions to MoM % change***				
	Q1	Apr	May	Jun	Jul	Q1	Apr	May	Jun	Jul
01-05 Animal	3.5	-31.6	-2.4	19.7	18.3	0.1	-0.7	-0.1	0.4	0.4
06-15 Vegetable	51.2	6.2	-17.7	-9.9	-29.7	4.4	0.9	-3.9	-1.8	-4.0
16-24 Foodstuffs	38.2	-14.8	-20.7	4.3	14.0	3.7	-2.0	-3.4	0.6	1.6
25-27 Minerals	12.3	-44.8	14.4	11.5	16.9	2.3	-8.1	2.1	2.0	2.6
28-38 Chemicals	9.1	13.5	-31.8	-37.5	39.0	0.3	0.6	-2.2	-1.8	1.0
39-40 Plastic / Rubber	1.8	-32.9	11.2	15.0	-10.5	0.1	-0.9	0.3	0.5	-0.3
41-43 Hides, Skins	-16.0	-58.3	20.2	69.4	14.3	-0.1	-0.2	0.0	0.2	0.1
44-49 Wood	-20.8	-12.8	-7.4	20.3	20.9	-0.1	-0.1	0.0	0.1	0.1
50-63 Textiles, Clothing	0.6	-66.7	46.0	95.9	21.7	0.1	-7.1	2.4	7.4	2.7
64-67 Footwear	21.6	-69.0	0.9	110.6	42.4	0.3	-0.9	0.0	0.7	0.4
68-71 Stone / Glass	-2.4	28.7	-13.6	17.1	-11.7	-0.3	2.7	-2.4	2.6	-1.7
72-83 Metals	-5.1	-37.4	18.1	20.1	1.8	-0.1	-0.8	0.4	0.5	0.0
84-85 Mach/Elec	-7.1	-70.7	75.3	77.1	14.9	-1.1	-8.4	3.8	7.0	1.9
86-89 Transportation	-11.3	-75.9	10.3	191.3	10.9	-0.9	-5.2	0.3	5.2	0.7
90-97 Miscellaneous	-12.7	-62.8	65.4	69.0	13.8	-0.3	-1.0	0.6	1.0	0.3
98-99 Special	-3.0	-52.4	26.7	-10.2	585.7	0.0	-0.2	0.1	0.0	1.5
Total	**8.3**	**-31.6**	**-2.1**	**24.6**	**7.2**	**8.3**	**-31.6**	**-2.1**	**24.6**	**7.2**

Source: World Bank staff estimates using official data from China, Eurostat, Japan, and the United States. Note: Trade flows for EU only includes extra-EU trade due to data availability. Mirror trade based on reporting by China, the E.U., Japan, Switzerland, and the United States. Growth rates for Q1 2020 are relative to Q4 of 2019. Q1 is used because China data are not available for January 2020 separately from February 2020.

Table 2b. Mirror imports of CWA countries, by commodity, Jan-July 2020 (MoM percent change)

	Imports (mirror)									
	MoM percent change (%)					***Contributions to MoM % change***				
	Q1*	Apr	May	Jun	Jul	Q1*	Apr	May	Jun	Jul
01-05 Animal	7.5	-16.5	-12.4	14.5	-7.9	0.1	-0.4	-0.3	0.3	-0.2
06-15 Vegetable	17.8	-9.6	-25.2	-14.0	-20.9	0.9	-0.7	-2.2	-0.9	-1.0
16-24 Foodstuffs	-4.9	-14.4	7.0	4.6	5.1	-0.1	-0.5	0.2	0.2	0.2
25-27 Minerals	-15.5	-50.0	20.4	23.7	58.5	-1.4	-3.9	1.0	1.4	3.7
28-38 Chemicals	9.0	-10.5	-14.4	6.9	10.5	0.7	-1.2	-1.9	0.8	1.1
39-40 Plastic / Rubber	-4.2	-23.0	-0.7	12.6	15.2	-0.2	-1.4	0.0	0.7	0.8
41-43 Hides, Skins	-28.1	-37.9	83.4	27.9	13.4	-0.2	-0.2	0.3	0.2	0.1
44-49 Wood	-1.4	-8.5	-2.2	-12.5	12.3	0.0	-0.3	-0.1	-0.5	0.4
50-63 Textiles, Clothing	-23.5	-33.5	43.9	27.6	10.6	-2.0	-2.3	2.5	2.3	1.0
64-67 Footwear	-30.1	-11.2	33.3	14.7	11.7	-0.4	-0.1	0.3	0.2	0.2
68-71 Stone / Glass	-25.8	-28.0	28.8	36.8	13.8	-0.5	-0.4	0.4	0.6	0.3
72-83 Metals	-6.3	-10.5	0.4	22.4	-0.5	-0.5	-0.9	0.0	2.1	0.0
84-85 Mach/Elec	-17.8	-20.2	6.8	21.3	6.5	-4.4	-4.6	1.5	5.2	1.6
86-89 Transportation	-22.0	-44.9	14.3	22.1	54.1	-3.1	-5.5	1.2	2.2	5.5
90-97 Miscellaneous	-26.3	-20.8	15.4	27.4	11.9	-1.6	-1.0	0.8	1.5	0.7
98-99 Special	-12.7	694.3	-90.7	-0.7	31.1	-0.1	2.9	-3.8	0.0	0.1
Total	**-12.7**	**-20.4**	**0.0**	**16.2**	**14.4**	**-12.7**	**-20.4**	**0.0**	**16.2**	**14.4**

Source: World Bank staff estimates using official data from China, Eurostat, Japan, and the United States. Note: Trade flows for EU only includes extra-EU trade due to data availability. Mirror trade based on reporting by China, the E.U., Japan, Switzerland, and the United States. Growth rates for Q1 2020 are relative to Q4 of 2019. Q1 is used because China data are not available for January 2020 separately from February 2020.

There is considerable heterogeneity across CWA countries as relates to the trade patterns and the product groups that have driven the decline and recovery in the trade. Figures 2a and 2b as well as Tables A2 through A13 allow a closer look at trade and its drivers in each country, on a YoY and MoM basis, respectively. Figures 2 and b show that all countries except Burkina Faso have seen a drop in their exports to the 5 economies in the period March-July 2020 versus March-July 2019 while all countries except Ghana, Guinea and Rwanda have seen a drop in imports. The YoY decline in exports has been driven by metals and textiles for Benin, minerals for Cote d'Ivoire, Egypt, Ghana and Togo, machinery and electrical equipment for Morocco and Tunisia. Burkina Faso benefitted from exports of stone/glass to Switzerland. Exports of stone/glass have also recovered in Ghana and Guinea, while Cote d'Ivoire has seen its foodstuffs exports increase.

In addition, tables A2 through A13 highlight the heterogeneity by country in the contributions to the MoM growth rate. For example, the increase in exports in July 2020 on a MoM basis is driven primarily by foodstuffs in the case of Cote d'Ivoire, textiles and apparel in the case of Benin, Egypt and Ethiopia, foodstuffs and minerals for Ghana, minerals in Guinea, machinery and electrical equipment, chemicals and transport equipment in the case of Morocco, stone and glass in the case of Senegal, vegetable, textiles, apparel and footwear in Togo, and machinery and electrical equipment for Tunisia.

Figure 2a. Contributions to YoY growth in CWA members' exports to China, EU, Japan, Switzerland, US, Mar-Jul 2020 vs Mar-Jul 2019

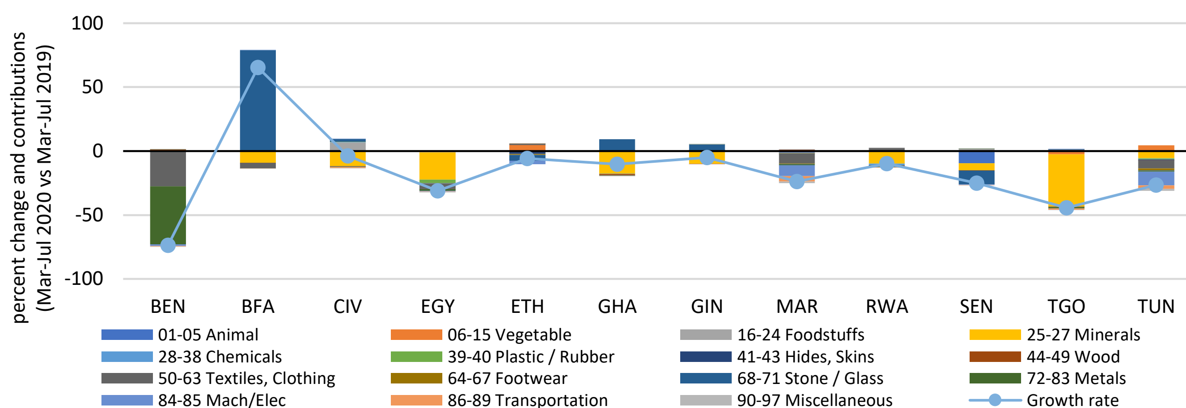
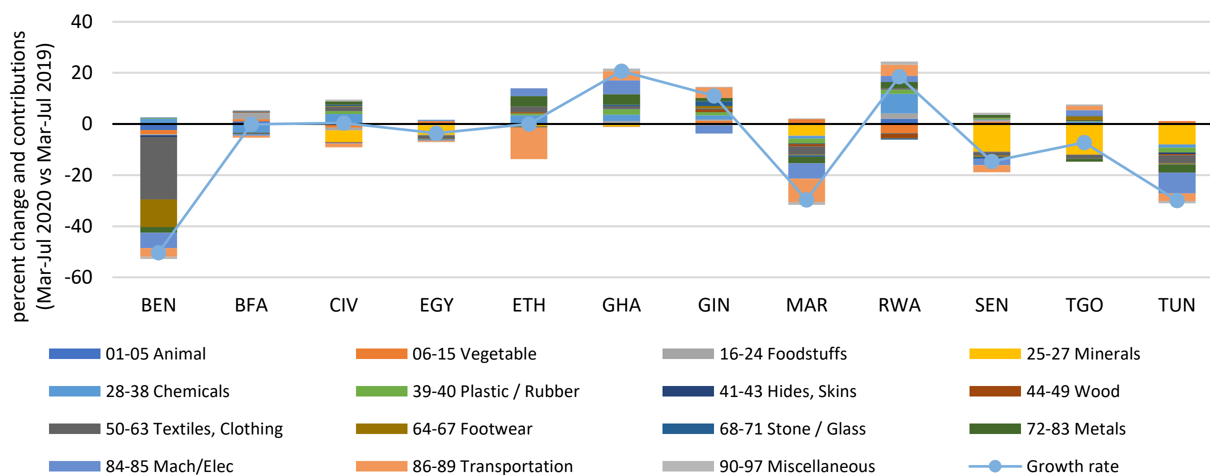


Figure 2a. Contributions to YoY growth in CWA members' imports from China, EU, Japan, Switzerland, US, Mar-Jul 2020 vs Mar-Jul 2019



Source: World Bank staff estimates using official data from China, Eurostat, Japan, and the United States. Note: Trade flows for EU only includes extra-EU trade due to data availability. Mirror trade based on reporting by China, the E.U., Japan, Switzerland, and the United States.

In conclusion, the COVID-19 crisis has not spared the CWA countries, according to the preliminary high-frequency trade data analyzed. Exports and imports dropped in the early months of 2020 amid spreading lockdowns in key trading partners of the CWA countries, and have subsequently been on a recovery path, as the world economy gradually re-opened.

Impact of the COVID-19 crisis on Firms – Recent findings of the Business Pulse Survey:

The WB recently conducted its COVID Business Pulse Survey (COV-BPS) in 46 countries across the world. The COV-BPS is a rapid survey designed to understand the micro-economic impact on businesses. The survey covers countries in different periods of the COVID-19 shock, ranging from May to July 2020. Among the CWA countries included in the survey are Côte d'Ivoire, Ghana, Guinea, Senegal and Togo.

COVID-19 shocks operate through many channels, both external and internal, and some shocks have hit specific sectors more severely than others. The survey includes an assessment of lockdown effects on firms (such as in retail, hospitality and personal services), supply and demand shocks (effects on import and export dynamics), financial shocks (e.g. availability of credit) and the effects of uncertainty on business investment decisions.

Key findings of the survey are summarized as follows:

- **Deep and persistent shock.** COVID-19 shock was widespread with 4/5 of firms closed in the short-term and the negative impact on sales was severe and persistent.

- **Firm level heterogeneity matter.** Effect of the crisis differ across countries, sector and business size, but micro-level heterogeneity is even more important.

- **Firms holding on to workers in short term.** The employment adjustment has operated mostly along intensive margin (i.e. reduction in hours, wages, leave, etc.) and there is a clear positive relationship between the effect of the shock (i.e. drop in sales) and employment responses: on average 50% sales drop is associated with a 4% reduction in employment.

- **Digital adoption has been limited.** Increasing use of digital platforms is the most common business response to the shock, but only 30% of businesses have done so and smaller ones are significantly less likely to have made any adjustment. Additionally, there is evidence of complementarities across different firms' responses (i.e. digital solutions and product innovation).

- **Uncertainty weighs on recovery prospects.** There is great uncertainty about the future, especially among firms that have experienced larger drop in sales. Crucially, more uncertainty is correlated with more workers being laid off.

- **Policy support can help but is not reaching enough firms.** Policy support helps firms to avoid falling into arrears and reduces uncertainty, but it is reaching a minority of firms, too few especially in poorer countries.

Survey of Foreign Investors / Multinational Enterprises (MNEs)

A follow-up survey analysis was conducted to assess the impact of the COVID-19 shock on foreign investors. These findings help shed some additional insights into potential adjustments to CWA countries on how to best craft appropriate policy responses targeting the recovery phase post-COVID.

The adverse effects of the COVID-19 pandemic are now near-universal for MNEs (>90 %). 80% saw income decline, with an average decline of 37%. Two-thirds decreased investment in developing countries.

The demand and supply shocks in the first half of 2020 have resulted in sizeable declines in revenues and income for over 80 percent of MNEs. On the demand side, lower end and intermediate consumption has reduced demand by a third on average for three in four MNEs. Two-thirds of MNEs have reduced investment in developing country operations, with a decline of 37 percent on average. On the supply side, three in four MNEs have experienced a decline in supply chain reliability, limiting access to raw and intermediate inputs (e.g. parts).

Worker productivity has been eroded by a quarter on average in three-fifths of MNEs. Consequently, output has fallen by a quarter on average for two-thirds of MNEs. Availability of finance/ liquidity has declined, and job losses are reported in more than half of all MNEs.

Pandemic-induced shocks are anticipated to ease in Q3 2020 as economies reopen. Half still expect adverse income effects, but less severe effects. Improved outlook for supply chain reliability signals possible adaptation and resilience.

While over half of all MNEs still expect revenues and income to be adversely affected in Q3 2020, it is a marked improvement compared to Q1 and Q2 results (where >80 percent of MNEs have been adversely affected). Building on the global public health response and expectations of gradual reopening of economies, MNEs expect: i) A modest recovery in demand, with fewer respondents (25 pp) expecting lower demand than normal in Q3; ii) Investments to begin materializing, with about 40 percent of all MNEs still anticipating reduction in investment; and iii) Less adverse expectations with regards to supply chain reliability, worker productivity etc. across the board, possibly signaling adaptation and resilience.

Adjustments to Business Strategy

In response to the pandemic, MNEs are increasing supply chain resilience, with over half having turned to digital tech. Some are diversifying suppliers (37%) and production sites (18%), and a third are mapping supply chains and suppliers (1st, 2nd, and 3rd tiers). There were also some early signs of nearshoring / reshoring of production (14%). Three in five MNEs report adoption of internet of things, automation, data science, distributed ledgers (e.g. blockchain) to manage supply chains. Supply chain risks are being minimized by over a third of MNEs, with some MNEs adjusting global production locations in response to the pandemic's disruption of supply chains.

Policy Environment for FDI

Some MNEs are witnessing the business environments for MNEs changing – operational and entry rules are more restrictive. For example, China, India, and South Africa have recently tightened their screening regimes. Over one quarter of respondents report the policy environment for FDI becoming less business-friendly as a result of the COVID-19 pandemic. A small share of MNEs (9 percent) report improvements in the business environment and a majority do not report any observable change. New FDI restrictions were already

rising prior to the pandemic (UNCTAD 2020). The move to more restrictive regulatory environments for FDI continues a trend of rising protectionism, which may have implications on FDI attraction strategies for CWA countries.

Government Support

Despite high demand for policy support (pulse 1 findings), only about a third have received support from national or state governments. Two-thirds of MNEs have not received government assistance to mitigate the effects of the pandemic by way of financial support, debt assistance, tax relief, trade finance, relaxation in labor or business regulations. Pulse 1 had found strong demand for tax relief, short-term financial assistance, and regulatory flexibility. A sizeable share of MNEs (30 percent) also report receiving less government support as compared with local businesses (non-MNEs), due to i) MNEs being ineligible for support (possibly due to ownership, firm size, or other criteria) (53%); ii) Less information about government support (35%) and iii) Eligible but less favored as compared to local firms (24%).

2. Looking forward – The recovery phase: Energize Investment, Create Markets and Build Back Better

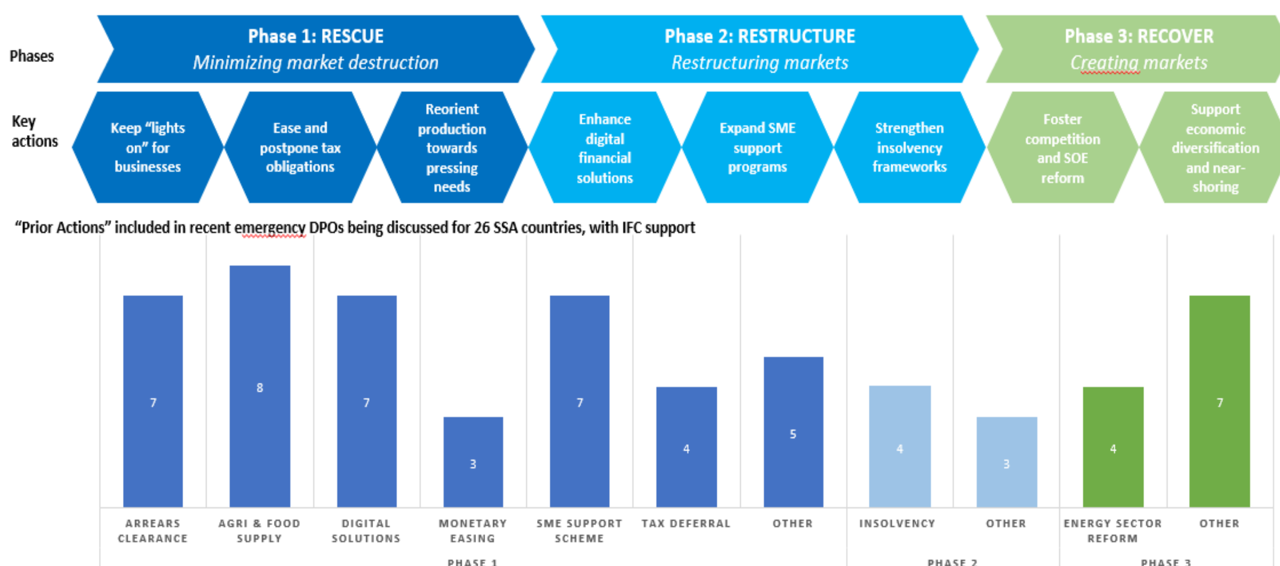
Drawing from the findings of the paper by the WBG's COVID Taskforce[4], as well as an analysis of policy measures taken by CWA countries to address the short-term effects of the COVID-19, this section identifies key challenges and opportunities to the private sector in a post-COVID world. This includes an overview of the pandemic's impact on specific sectors, a general discussion on an overarching approach to the sector as well as the key dos and don'ts for governments in their support for the private sector.

Preparations for the recovery phase will need to start with an assessment of the likely post-pandemic landscape for private sector development. Some markets may diminish significantly with the exit of private firms and state ownership at all-time highs. Conversely, sovereign balance sheets may face heightened vulnerabilities, limiting the range of government action. External markets may also look different, as the world only gradually resumes growth to previous trends, and globalization may be in retreat in parts of the world.

The key priorities will be to energize investment (within the first few quarters) as well as creating markets and building back better in the medium term. Governments can energize investment as part of broader policies aimed at stimulating demand. This will also be the time to return to the medium-term agenda of creating markets by unlocking opportunity through upstream reform. Finally, as we rebuild, we must seize the opportunity to build back better. Doing so will enable us to face the existential threat of climate change and reduce deeply entrenched social inequalities including with respect to gender.

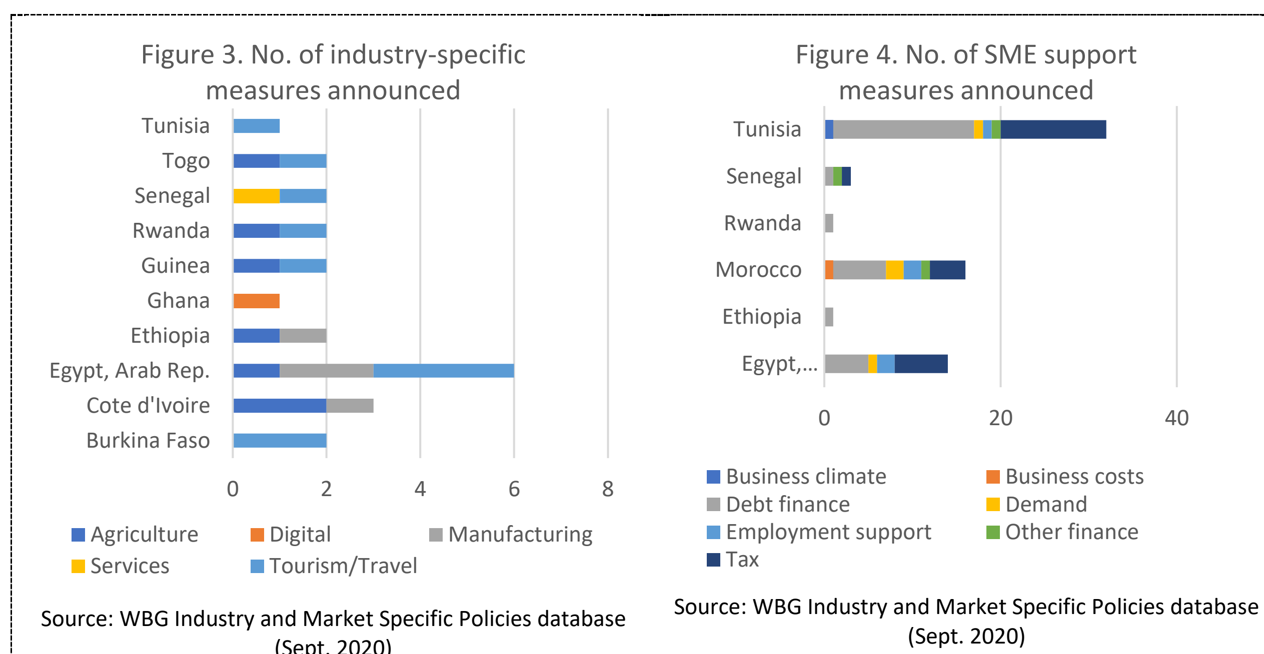
Analysis of policy measures by CWA countries and COVID-specific responses

Most African nations, including those with previous experience fighting the Ebola epidemic (2014-15), have swiftly adopted bold emergency response packages (e.g. fiscal stimulus, monetary easing and social/regulatory forbearance vulnerable firms and workers) in order to mitigate the economic and social impacts of the COVID-19 crisis. Out of 59 reform measures directly supported by IFC through World Bank Development Policy Operations (DPOs), 2/3 focused on Protecting Businesses (Phase 1) and the remaining addressed Restructuring Markets (Phase 2) and Recovery (Phase 3).



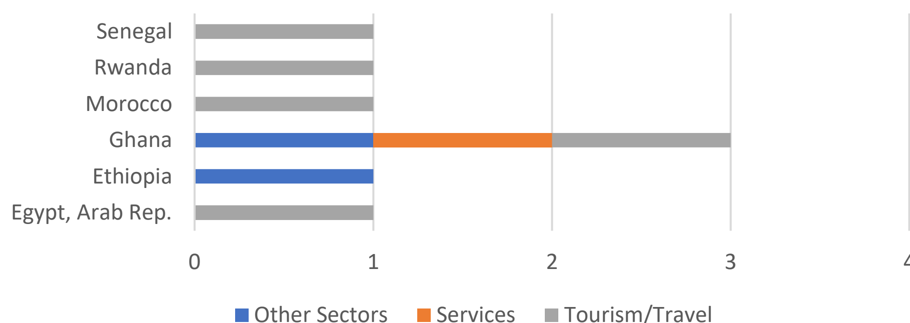
[4] "Advising Governments on Private Sector Crisis Support and Recovery", May 2020, WBG

Virtually all CWA member countries have implemented measures to address the short-term effects of the COVID-19 crisis. To a large extent, countries have tailored their policies by firm type and sector, with ten countries announcing industry-specific measures (Figure 3), six countries announcing special support for SMEs (Figure 4), and six countries announcing support for SOEs. Most of the industry-targeted measures — including measures supporting SOE—, were directed at tourism, one of the sectors most severely hit by the crisis. The measures intended to restore liquidity and mutualize risk in the short-term, for example through tax incentives, loans at favorable terms, licenses and other business costs reductions, likely contributed to ensure the continuity of basic services, keep companies afloat, and preserve jobs. Examples of these measures include Benin's CFA 40 billion support package consisting of targeted and temporary tax exemptions and the relaxation to payment rules to support struggling businesses.



Targeted measures with clear criteria and sunset clauses were in some instances accompanied by questionable protectionist measures. For example, Egypt issued an export ban on legumes, face masks and infection prevention supplies (excepting surplus quantities). More recently, Morocco announced a new import substitution strategy targeting eight strategic industries through grants, financing, tax relief and training support. Other measures targeting large private companies and SOEs, could potentially distort the playing field in the medium-term, especially if the state acquires interests in these companies without clear guidelines on divestiture post-crisis. So far, firm-specific and SOE support has been targeted mostly to companies in the transportation industry, such as airlines (Egypt Air, Royal Air Maroc (RAM), Rwandair, Ghana Civil Aviation Authority (GCAA), Ghana Airports Company Limited (GACL), and Ghana Post and Metro Mass Transit Limited (MMT)).

Figure 3. No. of support measures for State Enterprises



Source: WBG Industry and Market Specific Policies database (Sept. 2020)

Key recommendations for post-COVID recovery support to private sector[5]

Governments need to rethink their private sector development strategy during the restructuring and recovery phases. Past the rescue phase, governments need to work on FDI retention, reshoring risks, restoring private sector viability and efficiency, and then on creating markets and building back better.

Unblock and unlock private investment

FDI was weak before the outbreak, is projected to collapse (by 30-40% according to UNCTAD) and would likely see a slow recovery if past experience is a guide. Domestic investment will be similarly constrained as balance sheets are being repaired and demand picks up only gradually. For these reasons, any efforts to stimulate investment will be essential so the eventual recovery can be sped up. Countries that sustain rule of law and a positive investment climate during the crisis are more likely to enjoy access to (public and private) foreign capital flows that will support a speedy recovery.

• Improve the business environment: enable investment approvals, repatriation and exit; remove or reduce negative lists; widen access to land for foreign investors; review licensing requirements.

• Cut red tape: develop and apply common quality standards for regulations, standard operations procedures and application forms across departments and agencies.

Conserve fiscal resources by crowding in the private sector

The earlier phases will likely entail a large shift from private to public. The recovery phase will require a rebalancing in the spirit of the cascade. This will be all the more important given the significant projected rise in government indebtedness. Even under the now seemingly optimistic IMF projections of April, public debt-to-GDP ratios were projected to rise by 8.8 ppts for EMs and 4.4 ppts for DEs.

• Divest from bailed out companies (see section 3 for guidance on approaches).

[5] Based on recommendations from the WBG Taskforce 1 on COVID response. Findings summarized from the paper "Advising Governments on Private Sector Crisis Support and Recovery", WBG, May 2020.

• Reduce footprint in other economic sectors through corporatization and privatization of public enterprises and by minimizing "strategic sectors" reserved for government.

• Crowd-in private participation in delivery of certain public services and infrastructure.

• Ensure that remaining SOEs and private firms compete on equal terms (i.e., competitive neutrality principles).

Prioritize upstream market-creating reforms

Upstream regulatory bottlenecks posed significant limitations on private sector expansion prior to the pandemic. Post-pandemic, upstream reforms will be especially critical given the disruptive nature of the crisis for markets as well as the need to invigorate private sector investment so it can drive the recovery.

• Expand PPPs in sectors with potential, including health and education. Establish dedicated PPP units. Develop PPP legal framework, guidelines, operating procedures and tools.

• Create public-private sector commissions. Ensure private sector, including SMEs, are formally involved in sector strategies.

• Enhance exposure to competition including in network industries where competition is viable. For instance, implement competitive auctions for private power generation projects.

• Lift barriers to entry in key services sectors. For example, facilitate procurement of private sector services through dedicated procurement or national health insurance agencies.

- Leverage regional markets by enhancing regional integration by implementing and deepening the Africa Free Trade Agreement – including through the African Single Digital Market, and initiatives that promote intra-regional through shared infrastructure.
- Leverage urbanization by reforming land markets and empowering local governments

Lock in productivity- and access-related opportunities from digital technologies

The silver lining in this crisis is that it has taught us new ways of doing business. It is increasing demand for digital services as governments and businesses are looking at digital solutions to accelerate the response to the crisis – from remote working to healthcare at distance and the need to disseminate welfare payments rapidly through digital wallets. To the extent that the enhanced usage of digital technologies has been accompanied by higher productivity and access, we can capitalize on these gains and lock them for the future.

• Evaluate lessons from crisis, size new opportunities and develop a legal and regulatory framework in tele-health and digital education. Ensure providers are paid appropriate prices for online services.

• Increase investment in R&D and innovation. Encourage use of data-driven and automation technologies (collaborative robotics, autonomous materials movement, industrial internet of things)

• Digital entrepreneurship: repurpose funds or grants previously dedicated to incubators or accelerators to match private sector angel or seed investor groups; align taxation between online and offline services; end shutdown and taxation of social media

• Digital platforms: enhance interoperability of digital platforms; expand digital ID services

• Digital financial services: enhance interoperability especially of digital payment platforms; improve legal and regulatory framework for DFS and cashless banking

Build back better by recognizing climate risks and avoiding social disparities

The nature of a health emergency such as COVID-19 and the sudden strains it has put on the economy parallel the global emergency and existential threat of climate change. The world cannot afford to have a major crisis every decade. As we rebuild during the recovery phase, we have an unprecedented opportunity to build back better. This would enable us to place the economic recovery on a more sustainable path, both environmentally and socially.

• Green the recovery. Bolster investment in renewable energy and related infrastructure. Many green concepts, from energy solutions to buildings and finance, are "shovel-ready". Others can be scaled.

• Seize the opportunity of low oil prices to remove fossil fuel subsidies. Place a price on carbon to generate revenue that can help with businesses transition, and phase it in over time.

Build back equally. Pay particular attention to vulnerable groups, including women, to ensure equal participation in the recovery. For instance, improve the availability of childcare and elderly care to support productivity and the efficient use of the female labor force.

• Scale up support for women entrepreneurship and their access to corporate supply chains in sectors most affected by the pandemic to promote more diverse and resilient SMEs.

Finally, it will be important for countries to protect/reinforce the fundamental drivers of jobs and economic transformation by completing the reforms required to attract/mobilize private investments, foster competition and participation in global value chains as per the cross-cutting policy reforms of the CWA reform matrices and the sector specific reforms in key sectors as revealed by the CPSDs (see Annexes I & II).

Key "Don'ts"

There are also a number of "don'ts" to ensure the drivers of productivity growth and macroeconomic stability are preserved:

- Maintain/increase an outward orientation to expose the economy to productivity-enhancing external competition: avoid trade restrictions aimed at protecting domestic industries, remove any anti-export bias in trade policy, reduce customs tariffs and reform non-tariff measures, diversify export markets by negotiating bilateral trade agreements, fast-track WTO accession or compliance with WTO trade facilitation agreement
- Avoid permanent measures, such as forgiveness of debt and tax rebates
- Do not suspend utility payments as this may affect the financial viability of utility companies, consider supporting firms through vouchers instead
- Do not impose interest rate caps since they could lead to reduce access to credit and/or reduced bank profitability
- Do not support firms that were unprofitable before the crisis

Annexes:

Annex I: Sector Snapshots

This compendium of sector notes developed in collaboration between IFC and WB Industry Groups highlights the pandemic's impact on specific sectors, a general discussion on an overarching approach to the sector as well as the key dos and don'ts for governments in their support for the private sector. The sector note on tourism was specifically developed for the CWA countries.

Digital Infrastructure

Impact

No other crisis has emphasized the importance of internet connectivity as clearly as COVID-19. Digital infrastructure has played an essential role keeping people working, learning and interacting, often driving 20-30% spikes in data traffic. At the same time, the crisis has also put a strain on essential broadband networks and exposed pre-existing digital divides, especially in developing countries. Over the first two quarters of 2020, the average download speed of mobile internet dropped by 7-10% in developing countries, compared to 1-2% in high-income countries. Mobile data traffic, a measure of internet usage, grew by 1-5 percentage points above average in developing countries, against more than 10 percentage points above average in high-income countries. For governments and the private sector, COVID-19 has crystalized the need to connect as many people as possible, as fast as possible; increase bandwidth; enable more resilience in certain economic sectors through technology; and expand the digital ecosystem.

In sharp contrast to other industries, the telecommunication sector has been generally exempted from major COVID-19-related restrictions, such as stay-at-home orders and quarantine requirements, as it is recognized as an essential service. Some telecom companies have been strengthened by the short-term spike in data traffic and increased use of broadband services, as more people are working from home and rely on video conferencing to hold meetings. Traffic growth has, in fact, demonstrated increased reliance on connectivity and digital solutions, and the digital infrastructure sector seems poised to support the recovery of the economy across industry and services.

Despite the critical need for digital infrastructure, however, the economic impact of the pandemic in the sector is considerable. We expect a decline in revenues for telecommunications operators in 2020 between US$40 and US$91 billion, depending on the severity of the economic downturn. The hardest hit subsector is expected to be business fixed services, followed by business mobile services as companies (particularly SMEs) face bankruptcy. The revenue impact will depend on the length of the lockdowns and the corresponding impacts on service spending. The short-term positive effect of the crisis on higher data demand is overcompensated by the deeper and longer negative impact on purchasing power and compounded by disruptions in the supply chain of essential IT components. As a result, companies are in cash conservation mode, delaying capital expenditures ("CAPEX") and interested in refinancing short-term debt maturities. The forecasted investments for 2020 in the ICT sector in emerging markets has dropped by US$60 billion as of the first quarter of this year due to COVID-19.

Big picture considerations

For digital infrastructure to continue supporting digital economy development in emerging markets in the recovery phase, it will be crucial for the industry to fully adopt to data-driven business models, especially in regions where the core revenue driver is still voice, and to leverage digital platforms, which see a high growth in emerging markets.

IFC-specific advice

Key Do's

Restructuring Phase

- **Boost competition in digital infrastructure.** Consider continuing privatization of incumbent SOE's (which would help shore up government resources that could be deployed in pressing areas elsewhere). Spin off available infrastructure that can be used on a wholesale, open access basis (which could raise overall economic resilience and improve affordability of internet access). Stimulate competition by: issuing licenses for independent digital infrastructure companies; spinning off unused or underutilized government-owned fiber and tower infrastructure, liberalizing international gateways and submarine landing stations and, when relevant, reducing the access price.
- **Increase shared infrastructure.** Strengthen the regulatory framework to allow for infrastructure sharing of fiber optic backbone capacity, as well as passive and active infrastructure managed by the private sector, imposing conditions on operators with significant market power, and establishing rules for access pricing, non-discrimination and dispute resolution. Allow for streamlined permits, rights of way regulations, access to ducts, poles and other passive infrastructure elements.

Recovery Phase

- **Eliminate restrictive licensing frameworks.** Stimulate market and regulatory reform, leveraging conditionality through DPOs, deploying joint technical advisory services to support enabling regulations, including infrastructure sharing, deploying project specific and global upstream platforms to remove the bottlenecks to entry and competition.
- **Increase connectivity to the underserved, such as in rural areas and for women.** Expand the access to communications in rural and underserved areas, through leveraging on new technologies for rural communications, improving the governance and effectiveness of universal service funds, scaling up viable business models for rural communications financing and deployment of solutions, ensure that efforts are undertaken to close gender gaps in digital access, such as the provision of mobile phones where affordability, particularly of handsets is a top barrier to female ownership, and provide literacy and digital skills building, which are the main factors limiting mobile internet use among those who are aware of it.
- **Undertake regulatory reform to support higher transparency, better governance and use of universal service funds, to accelerate universal digital connectivity and services**. Universal service funds were set up to support the development of rural telecom and broadband connectivity, a top priority considering the COVID-19 emergency. Yet, despite the availability of funds, universal service funds suffer severe implementation issues, especially in Africa. Governments are often misusing these funds, directing them towards other uses, restricting their use to the incumbent operators, discriminating against new technologies that could bring down the cost of connectivity. It is necessary to implement regulatory reform of these funds as a condition to consider any public sector investment in rural broadband, which should also be subject to a thorough market test. Implement regulatory changes to align connectivity to electricity or water utilities, present opportunities to implement policy reform to accelerate 4G and, eventually, 5G roll-out.

- **Promote the use of digital solutions and secure online services.** Engage all the sectors in the economy to use e-commerce, e-health and online education, especially for healthcare worker and their increase need of a highly secure network capacity.
- **Partner with other IFIs to support investment in digital infrastructure**. Such collaboration would be key to preserve and strengthen market contestability, privatize essential telecom infrastructure and leverage state fiber assets currently underexploited, improve resilience and promote inclusiveness of the digital sector.

Key Don'ts

- **Do not restrict new business models,** in particular digital platforms that enable scale in the digital provision of goods and services. This includes e-commerce and digital payment platforms which impact trade, commerce and the development of a local economy. They also include digital platforms in trade and logistics.
- **Do not halt the liberalization of the telecom sector** at a time when the increased value of connectivity could attract private investment throughout the digital ecosystem. It is also important to maintain the regulator continuously updated on emerging technology trends and its impact on regulation, as well as preserve the regulator's technocratic and independent nature.
- **Do not increase taxes or limit the penetration of companies in the sector,** this will help to keep (or reduce) the prices for the end-user. The sector is already heavily taxed and further taxation would deteriorate further the financial performance of operators and connectivity services providers such as tower companies, ISPs and wholesale broadband providers. Reduce IT import duties for equipment, in order to: a) stimulate the growth of a domestic IT industry, as shown in a recent WTO report and b) reduce the CAPEX costs of mobile and broadband operators, relying on import of equipment, and translating into lower retail prices.

Good Practice Examples

- **Use available spectrum in a strategic way (South Africa).** The telecom regulator, the Independent Communications Authority of SA (Icasa), has assigned temporary radio frequency spectrum to mobile operators to address communication challenges during the COVID-19 national state of disaster. Opening up Fixed Wireless Access in peri-urban and rural areas would increase the contestability of the broadband market, increasing competition and extending services in rural areas.
- **Increase affordability and connectivity (Rwanda, Kenya, Indonesia, USA).** Telecom operators and Internet service providers have taken unilateral actions to reduce prices or provide free access to digital services such as mobile payments in Rwanda and Kenya; more generous data packages in Indonesia, USA, Peru, Lebanon, and Brazil; adjustments of network configuration and redeployment of equipment to address issues of congestion in residential areas, and zero-rating of broadband access to e-learning (Indonesia) and e-health (Saudi Arabia).
- **Promote the liberalization of the sector and the use of digital solutions and secure online services (Ethiopia, Kenya).** Recently proposed laws would allow non-financial institutions into the financial services sector for the first time, including mobile operators and state-controlled monopoly Ethio Telecom. This will bring much-needed investment, job growth, critical revenue in the government treasury, and much-anticipated mobile money efficiencies for customers. Other countries like Kenya, at the urging of the Central Bank and President Uhuru Kenyatta, the country's largest telecom, Safaricom, implemented a fee-waiver on East Africa's leading mobile-money product, M-Pesa, to reduce the physical exchange of currency.

ENERGY

Impact

COVID-19 has unleashed a myriad of negative effects on the sector. Energy demand has been depressed as a result of the lockdowns and the general decline in economic activity around the world. As a result, utilities that were already strapped for cash registered further revenue losses. This was further amplified by the inability of customers to pay and compounded by government moratoria. The International Energy Agency estimates that global electricity demand decreased by 3.8 percent in Q1 2020 and forecasts a 6 percent contraction by the end of the year. Lower power demand and end-consumer payment stresses are constraining the ability of distribution companies to pay power producers under long-term, take-or-pay power purchase agreements, which in turn is halting planned investment. Slower demand growth resulting from falling economic activity prompted by COVID-19 will probably keep oil prices down, which will help oil-importing countries. However, volatility should be expected.

Big Picture Considerations

Given the unprecedented impact of COVID-19 on the energy sector and its likely repercussions on the broader economy, measures to support the financial sustainability of the sector players is important to ensure that households and businesses have continued access to reliable energy services. On the other end, the pandemic related lockdown and loss of household income has many end-consumers financially challenged to make bill payments. Where safety nets are weak, targeted support to such consumers is equally important from a social perspective. More than ever before, the impact of COVID-19 has highlighted the critical need of a resilient and efficient energy system to cope with the sector challenges brought forth by the pandemic but equally importantly, to contribute well to the economic recovery phase. Sector reforms across the energy value chain to improve efficiency, cost recovery and enable investments are much-needed. This requires strong public-private collaboration, where private sector can play a vital role in deploying capital and expertise at a time when public financial resources are significantly constrained by the pandemic.

Specific IFC Advice

In this time of crisis, IFC will continue to work closely with the private sector, national authorities and international partners to support the power sector on many fronts to ensure a resilient and sustainable sector. IFC will continue to extend support to all stakeholders, balancing the need to address short-term liquidity needs while ensuring that power sector viability and long-term goals are not jeopardized. During the restructuring phase, while addressing the needs and challenges of end-consumers, governments are advised not do so to the detriment of the sector, which is already feeling cash strapped due to falling revenues. Liquidity support to power distribution companies and off-takers are key to ensuring that financial flows to generation companies and other sector players are maintained. Low fuel prices provide a strong opportunity to also address persistent sector challenges resulting from tariffs which are not at cost-recovery levels. But more needs to be done during the recovery phase, including improving sector governance and promoting investments to reduce technical & commercial losses across the energy sector, and making the generation mix more cost-effective, including by accelerating the adoption of low-cost renewables. Private investors, including international lenders, invest based on long-term contractual arrangements and it is at times of crisis, these are tested. Government commitment to honoring obligations under such agreements are important to long-term investor confidence and the ability of the country to attract private capital, which will be vital in re-building during the recovery phase.

Key Dos

Restructuring Phase

- **Provide liquidity support to the energy sector to alleviate financial stresses and promote investments.** Leverage IFIs to mobilize public and private financing to meet the significant investment needs of the sector (i.e. working capital facilities to support temporary liquidity needs, refinancing existing debt to enhance resiliency, and long-term financing to support project development and construction in an environment where financing is not as easily available).

- **Strengthen energy sector finances to ease fiscal pressure.** Improve the legal and regulatory framework to attract private sector participation in furtherance of transition to cost-competitive clean energy and access goals. Adopt reforms to improve financial sustainability and offtake credit worthiness of power utilities. Seize the opportunity presented by low oil prices to start considering tariff rebalancing while protecting the most vulnerable consumers.

Recovery Phase

- **Upgrade transmission and distribution systems and practices.** High losses in the transmission & distribution (T&D) network as well as poor bill collection from end-consumers have undermined the power sector in many IFC markets. Sector sustainability will remain a challenge unless the T&D sector performs well. Hence, it is important to bring down technical & commercial losses and improve bill collections. Invest in advanced metering infrastructure to support remote meter reading, billing and payment collection in today's lockdown environment. Furthermore, significant investments in transmission capacity is necessary to interconnect renewable energy projects to the grid and balance its intermittency (which would generate many local jobs).
- **Improve the power generation mix.** With lower power demand and potential oversupply in the system today, consider retiring older, more expensive generation or use the time for maintenance and rehabilitation to improve generation efficiency and extend plant life. Plan for the future generation build by emphasizing both system reliability and cost effectiveness, where low-cost renewables can of significant value.
- **Monetize assets and bring in expertise.** Unlock value and bring private sector expertise by laying the ground for privatization of power assets (generation, transmission & distribution). Leverage private sector to mobilize significant capital and expertise to rehabilitate, upgrade and operate privatized power assets.

Key Don'ts

- **Do no further harm**. As energy is one of the hardest-hit sectors, ensure that the policy response to the crisis does not further aggravate the crisis. If end-consumers are being supported at a time of financial stress and economic uncertainty with targeted and time-bound payment moratoria, make sure to tailor these moratoria to needs (no blanket moratoria) and restrict them in time to prevent long-lasting negative impacts on the sector.
- **Do not subsidize energy-inefficient industries.** Facilitate instead the shift to toward low carbon and renewable energy in an effort to support climate adaptation and mitigation.
- **Do not take drastic measures** such as declaring force majeure and not paying power generation companies or undue pressure to renegotiate tariffs that are well established in the power purchase

agreements. Such actions may provide temporary relief to utilities but will have long-term negative repercussions in terms of attracting private investments and investor risk premium.

Good Practice Examples

- **Targeted and time-bound relief for end-consumers (e.g., Brazil, Chile)**. Brazil and Chile provided well-targeted and temporary relief to mitigate the burden of electricity bill payments on economically vulnerable households. Such measures were combined with government support to distribution companies for the loss in revenue from such relief. In Brazil, for example, low-income households (consuming up to 220 kWh per month) were exempted from paying electricity bills between April and June 2020. Such exemption is expected to cost approximately R$900 million (~US$165 million) and will be covered by government transfers.
- **Support the transition to renewables (e.g., Egypt, India, Uzbekistan).** These countries continued to promote the development of low-cost, renewable energy projects to improve sector generation cost profile and transition the energy mix to cleaner sources. India for example laid out ambitious goals in this context: as of end March 2020, it had a solar power capacity of 34.6 gigawatts, which is expected to be tripled by end 2022; over the same time frame, its 37.6 gigawatts wind power capacity is expected to almost double.
- **Promote investments in technologies to upgrade power distribution systems (e.g., Turkey).** For example, IFC is supporting Osmangazi Elektrik Dagitim AS (OEDAS), the power distribution company in the Osmangazi region of Turkey, with a financing package of US$330 million equivalent to help upgrade, modernize and expand the distribution network.
- **Limit the dispatch of coal plants to their physical minimum to meet lower demand requirements with mostly renewable energy generation (e.g., India**). Following a nationwide lockdown in India, electricity demand dropped by around 25% in April and May 2020 compared to the same period last year. On the supply side, this reduction in demand was mostly borne by limiting generation from coal-fired power plants whereas renewables with their “must run” status continued to supply the grid.

TRANSPORT

Impact

Lockdowns, social distancing guidelines and border closures implemented to contain the spread of the virus are having a deep impact on aviation globally. Aviation is essential to global connectivity and economic development, carrying 35% of world trade by value. With airline fleets almost entirely grounded and many airports largely closed to commercial aircraft, the International Air Transport Association projects airlines will lose revenues of $314 billion in 2020 (equivalent to a 55% fall in passenger revenues). Airports are expected to lose 50% of their passenger traffic this year, losing nearly $100 billion in revenues.

Maritime and land transport have been badly affected too, even though some logistic subsectors are benefiting from increased consumer demand. Maritime transportation, which is the backbone of world trade, has seen disruptions in the supply chain as a result of lockdowns. Shipping saw notable declines in volumes as manufacturing activity fell in Asia earlier this year. Container shipping companies are reporting a 20-30% decline in demand in 2020Q1 and have resorted to canceling sailings and idling ships to respond to the crisis. Land transport, namely urban transport services, have seen ridership decline. Data shows public transit ridership is down between 50-90% in many places as a result of COVID-19 as people are encouraged to work/study from home and socially distance. Logistics, including trucking, have experienced labor shortages as demand for e.g. parcel and food delivery increase while consumers remain at home.

Big Picture Considerations

Given that transport networks are essential to national economies, playing a key role in connectivity and strengthening international competitiveness, ensuring the ongoing survival of these systems is key for a fast recovery. For these reasons, governments should seek to ensure the survival of transport entities that were competitive prior to the crisis. Governments should seek to ensure that such operators are not forced into insolvency by temporary liquidity reasons related to the crisis. The alternative is to force the recreation of such operators from scratch after the crisis, with additional economic and social costs associated with lost jobs, expertise and connectivity disruptions.

Specific IFC Advice

Key Dos:

Restructuring Phase

Support airlines and airports to ensure their survival through the crisis and maintain global connectivity. For airports and airlines that were viable prior to the crisis, safeguard liquidity in the face of a collapse in passenger revenues and uncertain recovery projections. Airports under Public-Private Partnerships (PPPs), for example, have begun triggering Force Majeure classes and have tried to delay capital expenditures and renegotiate the terms of their concessions with governments. In the absence of these efforts, these entities will need to be recreated after the crisis.

Approach concession renegotiations with care. Many transport concessions are facing unprecedented disruptions because of COVID-19, often as a result of government actions designed to slow the spread of the virus. As a result, concessionaires may seek compensation through adjustments to their concessions (and in some cases, may be contractually entitled to it as a result of Force Majeure or Economic Equilibrium clauses included in the agreements). Governments should be sympathetic and responsive to such requests that are genuinely the result of the crisis. However, they need to be watchful for renegotiation requests from

operators that either overbid during the initial concession award or that are opportunistic (motivated by rent-seeking). Renegotiations should be limited to responding to actual exogenous shocks.

Recovery Phase

- **Introduce eco-friendly and inclusive improvements to facilitate urban mobility.** Promote micro-mobility solutions, which include lightweight transport options like bikes and scooters, to facilitate safe and resilient navigation in cities. The absence of personal vehicles on the streets as people are encouraged to stay home and socially distance has opened an opportunity for cities to explore more eco-friendly solutions that have a positive impact on air pollution, congestion and health (e.g. bike lanes). Similarly, future transportation and urban development projects should be designed with the needs of all users- particularly those, like women, who are the heaviest users of mass transit but whose transport patterns and safety needs have been deprioritized in existing infrastructure planning

Key Don'ts

- **Avoid bailouts for all.** There is a natural temptation to provide support to major employers that are impacted as a result of the crisis in order to maintain employment and minimize economic "scouring". However, before devoting limited resources to such efforts, governments should confirm that the particular business was viable and competitive prior to the crisis in order to avoid misallocating funds.

Good Practice Examples

- **Support to trucking (China).** Truck drivers from other provinces were not able to return to their employment easily due to lockdowns. This contributed to long-haul trucking volumes falling to 15% of 2019 levels by early February. In order to support the segment, the Chinese government waived all road tolls (including bridges and tunnels) for all vehicles and quarantine requirements for trucks shipping essential goods. The government also put in place a no-stop, no-check, toll-free policy for vehicles transporting emergency supplies and emergency personnel. The government also extended the validity of commercial vehicle inspection and qualification certificates of relevant personnel to 45 days after the COVID-19 ended. Finally, the government also encouraged insurance companies to extend the insurance period and defer payment of motor insurance premiums or lower the premiums for commercial vehicles (as well as ship and aircraft) that suspended their operations amid the outbreak.
- **Expansion of dedicated bike lanes (cross-country).** Cities in countries like Belgium, France, Germany, Ireland, England and the US are seeing a rise in new bike lanes. This is the case all across Latin America, where Santiago, Buenos Aires, Lima and Quito are, for example, expanding bike lanes and closing off roads to cars. In Colombia, Bogotá is setting an example by opening more than 76kms of bike lanes. In March, Mayor Claudia Lopez announced that the city's open streets day route, Ciclovía – which usually operates only on Sundays – will be closed to cars and open to cyclists and pedestrians during weekdays. The temporary new cycling routes add to the city's 500 kilometers of permanent bike lanes. The bike lanes implemented now are expected to become permanent. According to Bogota's secretary of mobility, nearly 70% of people riding bikes during lockdown used other forms of transport before COVID-19 hit.

FINANCIAL SERVICES TO SMEs

Impact

COVID-19 has had a severe impact on micro, small and medium enterprises (MSMEs), a vital part of emerging market economies contributing to economic growth, job creation, provision of goods and services, and poverty alleviation. MSMEs typically have minimal cash reserves and limited access to finance. Even prior to the pandemic, formal MSMEs collectively faced a $5.2 trillion financing gap.[6] MSMEs' need for financing may increase at this time, when uncertainties and heightened risk profiles are likely to lead lenders to pull back from riskier segments such as MSMEs. Targeted support to MSMEs, which account for as much as 64% of GDP in low income countries and 60-70% of total employment, is critical for the resilience of individuals and broader economies; without it, there will be a massive increase in poverty rates.

The impact on the wide range of financial institutions serving MSMEs will be significant. Such institutions include traditional commercial banks engaged in MSME lending, as well as microfinance providers (MFPs), which include microfinance institutions (MFIs), nonbank financial companies (NBFCs), and fintech companies. While MFPs are often small and may not be systemically significant, they serve a sector that is macroeconomically significant. Many such institutions are facing liquidity challenges, which, combined with the risk of significant asset quality deterioration, could lead to solvency problems; in turn, lack of access to finance may hamper the ability of MSMEs - especially vulnerable smaller-sized firms - to sustain operations and take actions to recover from the economic shock. Supporting continued lending to MSMEs through financial service providers and especially MFPs will be important to protect MSMEs and support economic recovery.

Big Picture Considerations

Recapitalization of institutions focused on MSME lending is critical to restoring the viability of private sector MSMEs; 'creating markets and building back better' should focus on support infrastructure and the acceleration of digital transformation. It will be important to distinguish firms that can be viable in the new environment from those that are likely to fail. Dedicated MSME finance providers have the detailed understanding of the local business environment and direct knowledge of the skills and abilities of individual entrepreneurs to ensure that funds from recapitalized institutions are lent productively. Governments and regulators should consider measures to support investor confidence, to facilitate restructuring and recapitalization of MSME lenders, as appropriate, and to build market-enabling infrastructure and regulation. Markets for distressed assets will enable MSME finance providers to better manage their balance sheets by shedding non-performing assets to focus on building sound portfolios of productive loans. Markets for secured transactions and improved credit information sharing will enable a broader range of funding and lending instruments and help manage risk. Digital transformation should also be a key element in 'building back better' and be supported by governments and regulators. Successful providers going forward will be those that effectively deploy appropriate technologies to make offerings more accessible and efficient, to better manage risk, and to develop new business models that leverage their infrastructure and client positioning.

[6] IFC MSME Finance Gap Report, 2017. The report also identified an additional financing demand of $2.9 trillion for the informal sector.

Specific IFC Advice

Key Dos

Restructuring Phase

- **Provide relief to MSMEs.** Provide clear guidance on criteria for moratoria or restructuring of loans. Such measures should be time bound and accompanied by increased supervision and focus on transparency to avoid market distortions. Prohibit charging fees to restructure loans or restricting services for borrowers whose loans have been restructured. Allow for continued collections from those who want to continue paying. Prohibit withdrawal freezes of small deposits unless with prior agreement with the regulator. Arrange for prompt settlement of payments for buyers across domestic value chains to mitigate the negative impact on revenue and liquidity on MSME sellers. Provide technical assistance to MSMEs, primarily to access financial relief funds and pivot their business models. Ensure that support reaches women-owned and led MSMEs. Tailor financial and non-financial support to the digital tools available to women and men.
- **Support lenders' access to liquidity.** MSME lenders need liquidity to counter effects of reduced collection due to the effects of moratoria and loan restructuring on their financial position. Assess capacity of regulated MSME lenders, including MFPs that reach a large number of clients and play a key role for financial inclusion, to access government guarantees or special central bank liquidity facilities. Consider conditions for providing favorable treatment of bank lending to MFPs and for accepting bonds (with government support) at discount window with appropriate risk mitigants. Provide local currency financing to prevent mismatch of borrowers' obligations to international sources of funds.
- **Mobilize a critical mass of support to ensure successful rescues.** Segment which MFPs are supported and in what priority: "too big to fail" MFPs, large and mid-sized MFPs, and "impact first" MFPs. Creditors and investors will need a heterogeneous mix of financial instruments as they work with MFPs to implement a rescue plan. Support distressed asset and workout facilities at the sector level. Focus on minimizing loss of services to clients and protect clients throughout the restructuring process.

Recovery Phase

- **Provide institutional capacity support to MFPs to reach vulnerable populations.** Look to leverage the footprints of MFPs to gain access to informal sector and agricultural communities for social support programs. Address restrictions on digitization to enable digital loan underwriting, disbursement, payments, collections and withdrawals. Increase mobile money transactions and/or e-wallet balance limits.
- **Counter the flight away from riskier lending segments.** Counter the risk of lenders shifting their portfolios away from riskier MSME segments through public credit guarantees and other risk-sharing schemes and encourage the adoption of suitable credit infrastructure (e.g. collateral registries).
- **Enable the private sector to invest in longer-term debt, equity and/or sub-debt.** Set the stage for an inclusive and resilient recovery by enabling the private sector to invest in longer-term debt, equity and/or sub-debt to restore the financial sustainability of MSME lenders, and finance investments to accelerate digital transformation of internal processes and client products/channels. Capitalize on new opportunities to strengthen resilience, such as through countercyclical microfinance savings products as well as insurance products.

Key Don'ts

- **Do not underestimate the importance of MFPs in the economy**. While MFPs may not be systemically important from the point of view of a financial regulator, they are often the only sources of finance for a large share of entrepreneurs and households at the base of the pyramid, in particular serving MSMEs that play a critical role as employers. MFPs are also key players in leveraging private sector capital. Thus, it is important for government support measures to take MFPs into account.
- **Do not underestimate the importance of communication.** Policymakers and regulators sometimes fail to communicate adequately about crisis measures. This can lead to lack of awareness, misunderstanding, and skewed implementation of crisis measures, causing undue stress for borrowers and creditors, eroding trust.
- **Do not omit counterbalancing support when directing lenders to provide borrower relief.** Policies such as moratoriums on repayments from MSMEs should be counterbalanced with access to liquidity windows, and other support, and should apply equally across lenders, without undermining sound credit risk management practices.
- **Do not jeopardize the health of the financial system.** Accompany decisions on fiscal and regulatory measures to support MSME lenders with an assessment of trade-offs and risks posed to transparency and financial stability. At the same time, achieve the right balance between resilience and inclusion, whereby efficient, low-margin banking models that are key to reach the underserved are not dismissed in the interest of resilience.
- **Do not undermine the long-run credibility of financial policies.** Do not fully suspend the bankruptcy process during the crisis, which may lead to zombie firms. Develop out-of-court restructuring or workout process. Use the restructuring and consolidation exercise to clean up the sector by closing and consolidating weak and poorly governed institutions.

Good Practice Examples

- **Leveraging MFPs to reach vulnerable populations by ensuring responsible operational continuity and encouraging digital finance.** Countries such as Croatia, Egypt, Jordan, and Rwanda allowed MFPs to maintain operational continuity over crisis, offering flexibility to set reduced or differentiated opening hours according to local crisis conditions. Several governments adopted measures to leverage MFPs and payment service providers to provide support to vulnerable populations. For digital financial services, countries such as Brazil, Egypt, Ukraine simplified customer due diligence; Egypt, Peru, and Rwanda increased transaction and/or balance limits. Peru allowed temporary opening of accounts in bulk or individually, for government-to-person (G2P) beneficiaries without requiring them to sign a contract.
- **Providing support to MSMEs.** Countries such as Brazil, Indonesia and Nigeria provide fiscal relief to MSMEs and vulnerable groups to manage the crisis in the form of tax exemptions and reductions. Kenya, Mexico, and Uganda removed or prohibited fees such as bank charges for crisis-driven loan restructuring.
- **Providing support to MSME lenders.** Argentina, Brazil, India, Pakistan, the Philippines and South Africa established guarantee schemes that MFPs may access for lending to MSMEs. Uganda's central bank offers liquidity to regulated MFPs that are important for their reach and role in low-income and remote communities. Other measures include the easing of restrictions on foreign investment allowing MFPs to expand funding sources, e.g. Central Bank of Brazil liberalized issuance of term deposits.

AGRIBUSINESS

Impact

COVID-19 has placed extraordinary stress across agribusiness supply chains. While global food stocks remain sufficient, local risks to food security have risen on the back of supply chain disruptions and increasing prices. Working capital needs are rising too at a time of limited availability of short- and long-term capital. The sector is also hit by labor shortages and growing labor costs (arising from providing a safe working environment) and trade and logistics disruptions causing delays or defaults in deliveries and payments.

Loss of income and remittances is reducing people's ability to buy food and is shifting demand from discretionary and higher-value consumer products to staples. As a result, the number of people facing acute food insecurity could double to 265 million by end 2020 (according to the UN World Food Program). The shift in demand away from the more nutrient-rich foods may worsen malnutrition with broader health implications.

The poorer developing countries are hit particularly hard. Currency depreciation has raised the costs of imported inputs and food, though strengthened export competitiveness of some countries. Yet declining commodity prices for extractives and minerals and a number of agricultural products (cashew, cocoa, coffee) left some of the poorest countries in Africa in a particularly vulnerable state. The degree of informality and fragmentation in the agribusiness value chains makes the problems more elusive and targeting more challenging. In low-income food-deficit countries, almost 70 percent of women work in agribusiness (according to the UN Food and Agriculture Organization)

Big Picture Considerations

The overall strategy to address the impact will involve a range of interventions that focus on supporting both consumers and producers to preserve the gains and lay the foundations for longer term restructuring and recovery. Ensuring access to affordable and nutritious food will be critical. As incomes decline and prices rise, diet diversity and consumption of more nutritious foods (fruit and vegetables, animal proteins) may suffer. For the poor and vulnerable, scale up social protection programs, such as targeted cash transfers, augmented with safe, direct food distribution using fortified foods, or food subsidies as appropriate. A key priority during the restructuring phase is to restore private sector viability and efficiency through a process of triage and divestment. During the recovery phase, the key priorities will be to energize investment (within the first few quarters) as well as creating markets and building back better in the medium term.

Specific IFC Advice

Key Do's

Restructuring Phase

- **Facilitate access to inputs and markets.** Ensure the next planting season is carried out properly by enhancing access to key inputs (seeds, fertilizer, feed) by reducing barriers to imports of inputs, privatization / liberalization of the sector as needed, developing risk-sharing schemes for input purchases. Facilitate trade flows by removing distortions along the value chain (both raw materials and processed foods) and accelerating processes at the border.
- **Maintain the flow of finance and (re)-building of buffers.** Ensure that supply chain financing solutions remain in place and increase the use of FinTech solutions to channel financing. Continue government credit programs but ensure these are transparently allocated. Develop online platforms that would

encourage micro-savings, helping to set aside finance to be tapped for seasonal smallholder financing needs.

Recovery Phase

- **Eliminate chokepoints in food value chains.** The crisis has highlighted the vulnerabilities that stem from having bottlenecks in the supply chain. These can relate equally to infrastructure and logistics constrains that limit throughput or too few actors controlling the key links in the supply chain (for instance, meat processing plants). Reassess the concentration in the specific segments of the food value chain with an eye to enhance competition and reduce vulnerability to future shocks.
- **Promote the use of digital solutions.** Explore enabling policies for delivery of farmer extension services and logistics solutions for accessing new market (information and matchmaking on new market opportunities and aggregation of demand) using AgTech solutions. Join forces with the private sector to support the development of mobile and online platforms (in coordination with efforts on mobile payments) that improve farmers' access to inputs and technical assistance as well as to transparent farmer subsidies and support payments. Engage digital service providers to help farmers and SMEs integrate digital solutions into their production and operations. Support financial institutions to partner with agribusinesses on FinTech solutions to mitigate risk in lending and launch a wider set of affordable financial services for smallholders and agribusiness SMEs. AgTech supply chain solutions can also help counter temporary labor dislocations and help avoid physical contact to spread diseases.
- **Enhance sustainability and resilience of markets.** The crisis provides an opportunity to reposition and mainstream climate smart and digital farming solutions and reform policies distorting output and input markets. Develop sustainable farming through better monitoring and traceability of production and more efficient use of natural resources and consider targeted subsidies for climate smart agriculture. Address biosecurity risks by strengthening animal and plant health services. Develop and implement proper food safety practices and compliance with Sanitary and Phytosanitary Measures for domestic and export markets. Promote better labor practices with regard to Occupational, Health and Safety requirements throughout the value chain and ensure worker safety and compliance with best practices. Strengthen food safety labs and promote modern marketing and retail systems.
- **Shift focus toward better nutrition outcomes.** Support access to micronutrients by promoting the planting of fortified crops, mandatory fortification policies for core staples at processing, and elimination of VAT and tariffs on imported fortified products. Consider subsidized loans to finance capital expenditure required to fortify staple products. Create a conducive environment for processing, storage and transport of perishable goods. Establish enabling environment for hyperlocal value-chain solutions, providing services for locally sourced and produced goods if they can be competitively produced (else enable open trade). Promote investments in cold storage and supply chains, especially for perishable products.

Key Don'ts

- **Do not restrict trade.** Avoid putting in place tariff and non-tariff barriers to trade or implement export bans to ensure domestic food security needs or meet other political objectives.
- **Do not roll out indiscriminate sector support.** Resist the calls for price controls, blanket subsidies to the entire sector or other distortionary policies that have proven difficult to dismantle.
- **Do not backtrack on sustainability progress to date.** Avoid easy financial gains achieved through deforestation, unethical methods (including child and forced labor), water and soil depletion.

- **Do not crowd out private sector financing to agribusiness.** Ensure that government funding is well-targeted and completements private sector offering rather than displaces it. Put in place conducive policies to develop affordable crop insurance products.

Good Practice Examples

- **Support farmers with virtual call centers (Bangladesh).** The government launched COVID-19 Emergency Response to mitigate the pandemic's impact on local agriculture supply chains by establishing Virtual Call Centers (VCCs) across the country. VCC operators collect relevant information about input requirements and produce available for sale from Producer Organizations members via mobile phones and use hired rickshaw vans to pick-up and deliver these as needed. They rely on mobile money (BKash or MobiCash) to avoid paper currency transactions as these are potential vectors for spreading Coronavirus.
- **Advance staple fortification programs (India).** In a country with acute Vitamin A and D deficiencies, the Food Safety and Standards Authority of India has adopted standards for the fortification of five staple food items, including milk. However, given the modest share of milk that is processed in the formal sector, the adoption of these standards remains low. The state of Jharkhand through its Milk Federation, in collaboration with Tata Trusts, pioneered milk fortification on a large scale and has expanded daily fortification to 80,000 liters, reaching about six million consumers. Several other states (Karnataka, Bihar, Chhattisgarh, Haryana, Madhya Pradesh, Uttar Pradesh, Uttarakhand, Mahananda and Odisha) are undertaking similar initiatives.
- **Promote sustainability and resilience through traceability (Uruguay).** Uruguay's Ministry of Agriculture put in place a national system for livestock information and a national system for agricultural information that ensure full traceability of all the beef produced in the country, covering large and small producers alike at no cost and enabling the country to supply the most discerning export markets. The system allows to control zoonotic disease and ensures compliance with environmental and social standards.
- **Expand the use of digital solutions (several countries).**
  - Olam's digital platform, "Olam Farmer Information System", includes farmer record keeping (all on farm activities and costs) digital procurement, digital warehousing, traceability, and digital origination capabilities and has an outreach of more than 187,000 farms across multiple countries and products.
  - Jumia, Nigeria's largest ecommerce platform specializing in retail, food and hospitality has reached over 23 African countries, with a network of over half a million SME sellers. Jumia's digital platforms are supporting their SME suppliers during the COVID-19 crisis and partnered with several suppliers to increase access to affordable basic foods by waiving commission. In Haiti, a blockchain solution has handled the aggregation and distribution of payment to the farmers in the mango sector. The operation has completed its first five weeks of commercial shipments to the US, ending with a full container, despite logistics service providers claiming COVID-19 as force majeure cause to interrupt the service. Over 60 participating farmers have seen their net revenues increase between 150 and 400 percent thanks to the disintermediation facilitated by the project.

MANUFACTURING

Impact

COVID-19 is affecting global manufacturing in a variety of ways. Manufacturing value chains are among the most globally integrated and present developing economies with diverse possibilities for jobs and economic transformation. The demand and supply side disruptions caused by the pandemic are forcing some companies to reassess their business strategies and rationalize the supply chains. Manufacturing is a diverse sector, with the impact of the pandemic varying across subsectors. The main potential impacts that will necessitate governments responses to sustain competitiveness and relevance are the following:

- Shorter value chains. Potential for changes in supply chain set-up that will include shortening the value chain by re-shoring or near-shoring, focusing on regional value chains for regional demand and dual sourcing.

- Increased uptake of digitization/automation/advanced technologies. In addition to improvements and efficiency gains in manufacturing related processes, this will also contribute to higher visibility and transparency across the value chain.

- Increasing bankruptcies and potential for both vertical and horizontal M&A. Vertical M&A will focus on backward linkages and horizontal M&A will support diversification in strategic products and markets.

- Increased focus on the sustainability agenda with more focus on labor/social, including vulnerable groups such as women, and broadening environmental agenda by seeking to build back differently and better

- Increased demand for efficient logistics. Focus on the importance of efficiency in moving products across the value chain.

Big Picture Considerations

In light of shifting and likely subdued demand as the recovery takes hold, manufacturing firms will need to seek out new sources of growth. They will do well to connect to reorient their business to new and additional markets, thus negotiating new trade agreements in search of new markets will be an important step for governments to take. Improving trade logistics via expediting the development of Free Trade Zones, supporting port efficiency improvements, enabling shipping/air infrastructure and, streamline custom procedures will be key. Improving also supply chains such as in trucking services, road networks, warehousing, cold chains, while at the same time adopting automation and digitization to improve distribution and delivery efficiency, as applicable. Reduce tariff and non-tariff barriers to support regional clusters including investments in road transportation networks. Strengthening the investment climate to make it easier for businesses to invest will be instrumental. Bolstering human capital and management capabilities, enhancing exposure to external and internal competition and improving connective infrastructure to foster integration will be necessary.

Specific IFC Advice

Key Dos

Restructuring Phase

- Restore private sector viability and efficiency. Bring bankruptcy/insolvency law to international best practice levels to deal with the likely wave of bankruptcies among manufacturing firms, allowing good firms to restructure and weak firms to fail. Update M&A frameworks to facilitate the likely uptick in mergers and acquisitions.

Recovery Phase

- Implement greener and sustainable models of (social, labor and environment) doing business (Build Back Better/Build Green) Given the increasing focus on climate change and gender equality, and the large social and environmental footprint of some manufacturing subsectors (e.g. cement and textile/apparel industry), sharpen the focus on sustainability. Support resource efficiency by establishing the ecosystem for use of waste materials and introducing carbon pricing mechanisms as appropriate. Improve ESG standards which may help stimulate growth and investment. Encourage the circular economy in production, promote the use of renewable energy, energy efficient equipment, non-hazardous chemicals & dyes and alternative materials, and support better wages and improved health care & safety net programs for labor.

- Facilitate technological upgrading/transfer and create a more agile manufacturing model. Support uptake of technology through technology transfer (with special focus on technologies that improve resource efficiency and decarbonization). Access to latest technology that is not subject to high tariffs can support uptake of efficient technologies. Encourage FDI inflows in support of technology transfer. Establish specialized Technology Centers for manufacturers that cannot afford or lack technology and related knowledge/know-how. Support financing of R&D with public funds to promote innovation and competitiveness. Technological change may reduce the labor intensity of production, it also promotes greater flexibility, which enhances the ability of firms to respond to demand changes and create more resilient value chains.

- Improve access to finance. Access to finance is a key constraint for manufacturers seeking to invest in sustainable initiatives that can require large CAPEX. It will be important for manufacturers to remain competitive by investing in upgrading processes/using sustainable inputs, minimizing waste and etc. This can include diversifying financial instruments to include leasing on equipment, establishing equity/capital markets, providing low interest loans, encouraging and lifting limits on FDI.

Key Don'ts

- Avoid crowding out private sector and competition. While government investments in public goods (such as in industrial infrastructure) may "crowd in" private investment, government investments in private goods and industry, especially in a country where SOEs account for a substantial proportion of employment and output, may crowd out private investment in manufacturing significantly.

- Discourage or cut unwarranted barriers to FDI. Post-COVID, developing economies will need substantial FDI inflows related to M&A and the restructuring of the manufacturing sector to facilitate a

vigorous economic recovery. Barriers that are recognized frequently to FDI flows by investors in manufacturing that need to be avoided include: bureaucracy, restrictions of capital flows, low macroeconomic stability, high VAT, unstable legal systems, and lack of enforcement of laws.

- Avoid protectionism or new barriers to trade. Avoid trade restrictions aimed at protecting domestic industries. Resist the temptation to go back to import substitution. Reduce customs tariffs and reform non-tariff measures to enable competition. Develop new domestic or regional market opportunities or diversify export markets by strengthening/expanding trade agreements.

Good Practice Examples

- Expediting the development of Free Trade Zone in Hubei/Wuhan (China). Hubei province was once the epicenter of the COVID-19 pandemic and it was in a state of lockdown between January and the end of March 2020. The province and its capital city, Wuhan, are home to many automakers and thousands of small and mid-sized parts manufacturers. Wuhan also acts as a transport and industrial hub for central China and is the region's economic and commercial center. Hubei's GDP is reportedly contracted by 39 percent in the first quarter to 638 billion yuan (USD 90 billion). To further increase support for Hubei's revival after the epidemic, the Ministry of Commerce announced 24 measures to expedite the development of China (Hubei) Pilot Free Trade Zones (FTZ). The move aims to stimulate market vitality, foster new growth momentum, and help businesses resume work in the region. The Hubei FTZ is envisioned as a testing field to revitalize market players and support new momentum of development. Some emerging areas to be further developed in the FTZ are supply chain systems, next-generation information technologies, Customer-to-Manufacturer (C2M) industrial base, high-end equipment manufacturing, and new-energy vehicles.

- Streamlining procedures to support supply chains (Vietnam). Vietnamese businesses, especially those in the manufacturing sector, are experiencing a slowdown or work stoppages in production due to the lack of raw materials to continue production, which mainly from China. China is a major supplier of steel and components for electronics, automobiles, and phone manufacturers in Vietnam as well as the raw materials for the apparel sector in Vietnam. Ministry of Industry and Trade (MOIT) oversees and ensures the supply of raw material for manufacturing businesses and facilitates customs clearances, including difficulties faced by importers and exporters. The Government of Vietnam (GoV) is reviewing and cutting administrative procedures and costs for enterprises, and this includes those associated with logistics costs in maritime, air, road, inland waterways and rail transports. The GoV has also issued several incentives in the form of tax breaks, delayed tax payments, and land-use fees for businesses impacted by the COVID-19 outbreak.

- Raising the agility of the ready-made garments (RMG) sector (Haiti). The RMG sector in Haiti has been deeply affected by COVID-19. The Government of Haiti has been developing an alternative business model to the current low-cost/high volume model. The Government organizes small home-based workshops, which are coordinated through a standard ERP system and a logistics platform. The assistance aims to help factories access fast response markets by reducing lead time from weeks to less than 14 days. The workshops cover the training on cutting, finishing, QC, and export services. The Haiti Business Development and Investment IDA loan (P123974) has also adapted some of its components and implementation to the COVID situation. Its original tender has been modified for the platform to train small sewing workshops to serve fast fashion and personal protection equipment (PPE) for the local and international markets. Two consortia are already producing PPE in some home-based workshops.

- Strengthen competitiveness to support the RMG sector (Bangladesh). In Bangladesh, manufacturers are still in the middle of the crisis, so most policies are still currently being rolled out. The RMG sector in Bangladesh is leading the way by organizing itself and partnering with development partners, think tanks, embassies etc. to assess impact of COVID and inform government of the kind of policies they will need to support Bangladesh competitiveness. The current process is to engage in a dialogue and evidence base to identify a strong set of policy recommendations. IFC expects that in the coming months, government of Bangladesh (GoB) will implement policy recommendations that will emerge out of these dialogues. GoB is engaging extensively with the private sector through the dialogue platforms. In this regard, the focus of the GoB is to continue to leverage RMG as a sector for growth but also improve the competitiveness of manufacturing in general on key focus areas such as sustainability (incentives and regulations for resource efficiency, social & labor), access to finance, insolvency framework, trade & logistics, FDI, technology use & transfer (digitization, automation, advanced technology use), sector diversification, and product and market diversification.

TERTIARY EDUCATION

Impact

The impact of the pandemic on the private tertiary education sector is accentuating pre-existing trends of falling or slowing enrollment rates in traditional higher education. Higher education institutions have been facing falling enrollment around the world as a result of demographic trends as the population ages. This trend has been accentuated by the pandemic which has resulted in contracting economic activity and ensuing job losses and reduced incomes. Over 200 million tertiary education students around the world are affected by COVID-19, representing 89% of total enrollments and reflecting 188 country-wide closures.

Universities will need fresh capital, a stronger and diverse revenue base and enhanced expertise as they go through a steep learning curve to adapt their delivery models to declining enrollments and growing competition. In the absence of mechanisms to support less experienced universities as they accelerate adaptation, there is a risk that a digital divide will take hold favoring universities that are better resourced, connected and experienced. This divide will impact the prospects of more vulnerable and less informed students to access high-quality programs.

COVID-19 is accelerating the need to rethink business models in modern higher education for universities to remain competitive and survive. The pandemic is forcing universities to close campuses, move classes to a remote learning format and rethink how to build up systems and capabilities for at-scale online education. Numerous higher education institutions have been undergoing a process of digital transformation over several years, allowing them to deliver online education services at scale. The rapid response to the short-term challenges brought about by the pandemic will trigger a digital experimentation and potentially a leap forward in the way higher education is delivered and scaled. Additionally, public and private basic and secondary schools can benefit from partnering with private sector companies at a time where digitalization and digital skills become a priority that could result in a "new normal" for the provision of foundational education.

Big Picture Considerations

Digital transformation of the tertiary education sector will require a conducive regulatory framework for online and blended learning, cross-border activity and institutional diversity as well as access to enabling infrastructure. Governments can play a key role supporting online education, allowing foreign ownership and cross-border M&A, while ensuring a level playing field between public, for-profit and non-profit providers. Regulations in many countries restrict online education, cross-border activity or institutional diversity, and in many countries, tertiary education subsectors will not reach their full potential in the absence of up-to-date regulations that acknowledge these new market realities. Widespread access to internet from home and facilitating equipment is a key constraint for higher education institutions to move to online provision. This constraint is particularly prominent in rural and remote areas. The government's contribution to enhancing access to technical infrastructure is crucial to ensure equitable access to online education.

Specific IFC Advice

Key Dos

Restructuring Phase

- **Invest to close the digital divide.** By ensuring equitable access to connectivity, computer equipment and facilitating learning environments for students that may face suboptimal conditions for learning at home.
- **Access to finance.** Ensure access to capital that enables HEIs to undertake the digital transformation required to adapt their service delivery model in different aspects of the student lifecycle; enrollment, academic delivery, assessments, financial aid and services to external stakeholders such as employers.
- **Support students' ability to pay for tuition.** One approach to do this is by supporting the provision of subsidized student finance schemes through short and long-term loans and/or income sharing products at affordable rates. This would help students afford tuition during this transitory period of high unemployment, and economic hardship. These student finance products can be made more affordable and scalable through providing guarantees, first loss, interest subsidies, loan flexibilization programs, or loan insurance.

Recovery Phase

- **Engage in strategic partnerships to quickly build online capabilities to ensure the continuity of education services to students and upskill unemployed workers with high-demand skills to support and enable their rapid integration into a recovering labor market.** Partnerships can not only provide content and curriculum to address short term needs but also build the internal capacity of universities in the medium and long terms.
- **Advance the agenda of PPPs in Education to rebuild a more diversified, affordable and equitable education sector that can ensure continuity and acceleration of learning.** This will entail promoting PPPs under transparent competitive tender processes so that ancillary services such as education content, software, laboratories, teacher training, etc., can be procured from private providers by public schools, as well as enable support for blended learning methods to be adopted by public schools in partnerships with the private sector. Partnerships may include a role for private companies in the provision of digital skills in public schools.
- **Governments and employers should demonstrate a new openness and willingness to treat alternative credentials gained through online/distance education as being valid and acceptable** for the purposes of employment so that vulnerable population groups who have shifted to online modes of learning are not unduly affected in the job search process. Micro credentials, digital badges and other alternative credentials should be accorded due recognition.

Key Don'ts

- **Do not curtail pedagogic innovation** in times when institutions are pursing relevant adaptations of their academic models by strictly enforcing regulatory requirements (i.e. accreditation and quality assurance) that were developed for a different context -new regulations that create incentives for quality online education at scale - "new normal" - might be needed. The pandemic presents an opportunity to leverage mature education technologies and design active learning methodologies to promote competency development.

- **Do not limit the ability of the parents and students to exercise choice in the current environment.** While acknowledging the public good nature of education, Governments should not seek to limit institutional diversity or restrict choice of education providers in a time of change.
- **Do not limit the alternatives for student enrollment.** During the recovery phase HEIs should offer an array of enrollment alternatives, including part-time and single course options that allow students to remain engaged in their studies if they are unable to continue with full-time enrollment due to reduced income levels. Provide guidance for universities to resume classes by taking into consideration alterations to the academic calendar, format of delivery, protocol for student assessments, and student admission tests.

Good Practice Examples

- **Facilitating remote learning (Brazil).** Brazil made relaxed regulatory requirements to facilitate remote learning in March 2020. For example, it allowed that cognitive-theoretical courses in the years 1 to 4 of medical education to be carried out through Distance Learning.
- **Student loan relief programs (Colombia).** On 14 May 2020, the Colombian government extended the period and scope of a relief program for ICETEX student loan recipients with cash flow needs. The program targeted those affected by health issues; female heads of household or pregnant women; low-income loan recipients; and recipients that had experienced significant sudden income reductions. Relief measures included the extension of grace periods, interest waivers, maturity extensions and award of loans in the absence of co-borrower.
- **Making content available (Brazil)**. Coursera has offered free online content making more than 10,000 programs available, reaching 1.4 million learners. It has also launched the Workforce Recovery Initiative to provide unemployed workers free access to the company's course catalog helping them develop knowledge and skills to improve their chances of being reemployed as the economy recovers.

PRIVATE HEALTH

Impact

In many countries around the world, COVID-19 has overwhelmed the capacity of domestic healthcare systems. Hospitals have not had enough beds in their intensive care units (ICUs) for COVID-19 patients, and laboratories have not had sufficient testing capacity. There have been shortages of personal protective equipment for health care workers, medication, oxygen, and other supplies. This has highlighted the urgency to allow scarce healthcare resources to move across and within borders to where the needs are the highest. Digital technologies, big data, and e-health services like telemedicine have become important support mechanisms in the response to the pandemic.

Big Picture Considerations

The private sector should be leveraged to achieve universal health coverage and help strengthen health systems. It is important to facilitate the purchase of goods and services from the private health sector. This includes contracting the private sector for services through dedicated procurement or national health insurance agencies to help address current delivery gaps. Governments have to invest to create effective systems for contracting with the private sector, this should include ensuring that there is a level playing field between public and private sector providers. To strengthen the private sector in their countries, governments can facilitate the entry of foreign health-related suppliers. Foreign investors bring additional resources, new technologies, and new management techniques that can improve the provision of health services and the financing of health care systems.

Specific IFC Advice

Key Dos

Restructuring Phase

- **It is important to support distressed health care providers and promote effective restructuring and sale of the business as a going concern.** Sector specific financial support can be provided through public procurement and national and private health insurance. These institutions can provide support to providers help address loss of revenue from the pandemic. This support should target providers that would be viable but for the pandemic. For distressed but viable firms, undergoing a financial or operational restructuring would help ensure continuity of the business, which would not disrupt patient treatment. Ultimately, non-viable businesses would have to sell their assets, such as valuable medical equipment. For both restructuring and liquidation, there might potentially be specific issues relevant to the health sector that need to be addressed, such as restrictions on licensing of medical equipment and transfer of ownership of healthcare providers, transfer of pharmacy permits, environmental compliance requirements, confidentiality and storage of medical records, hospital leases on real property, and individuals appointed to preserve the rights of patients, such as patient ombudsmen, including ensuring on-going undisrupted care. It will be important to ensure that legal and regulatory reforms can facilitate hospital restructurings and liquidations in accordance with best practices and accommodate some of these specific issues, which might differ according to the respective country.

Recovery Phase

- **Increase the use of contracting and public private partnerships (PPPs)**. The private sector has the capacity to make important contributions to UHC in a number of areas. This includes the provision of health services, the implementation of insurance, and the production and delivery of medical products. To use the private sector effectively requires that government support the entry of private providers through removing regulatory restrictions, and facilitating foreign direct investment where appropriate. It also requires governments to effectively contract with the private sector by ensuring that effective systems are in place to develop and enter into contracts, and manage them effectively once they have been entered into.
- **Accelerate the regulatory framework for tele-health.** Providing tele-health services is often far more efficient and provides access to patients who find it difficult to travel due to distance, transport challenges, or disability. Despite its potential advantages, tele-health is often under-developed. In many countries it is illegal, and in others there is no clear legal framework. This suggests regulatory reform is critical. There is also a need to adjust payments to ensure that providers are paid appropriate prices for the services they provide online. In many health care systems, providers are under-payed for services that are not provided in person.
- **Improve digital connectivity** in order to provide better support for healthcare systems. Opening and improving digital connectivity would also support healthcare delivery. Access to the internet and the usage of online communications have been a fundamental support mechanism to healthcare systems in the fight against COVID-19. Faster access to verified healthcare information facilitates the implementation of precautionary measures.

Key Don'ts

- **Do not omit private providers from the national response to the pandemic.** Ensure that the private sector is notifying cases, and abiding by clinical protocols for testing, isolation and treatment. The government should also work with the private sector to reduce financial barriers patients face to receiving treatment.
- **Do not compromise on standards of good governance in government procurement.** The government needs to be open and transparent about all details of contracts, as well as publicizing information about the nature of subsidies and who benefited from them. The government should also carefully monitor performance under these arrangements, and publicize the results. This is especially important if the government is implementing emergency procedures for procurement.

Good Practice Examples

- **Private primary care (Sweden).** Many public healthcare systems are using the private sector to treat COVID-19 patients. For example, in Sweden local governments often use the private sector to provide primary care services. There is a level playing field with the private sector operating under the same regulations and fees as the public sector. In India, a number of states have started to use the private sector to treat COVID-19 patients. A key issue has been determining how much the private sector will be paid for its services, and ensuring that patients' don't face financial barriers to access care. A number of approaches have been taken, from regulating prices to the government paying for services and patients receiving care for free. Another approach is to use the private sector to treat other diseases thus freeing up capacity in the public sector to treat COVID-19 patients.

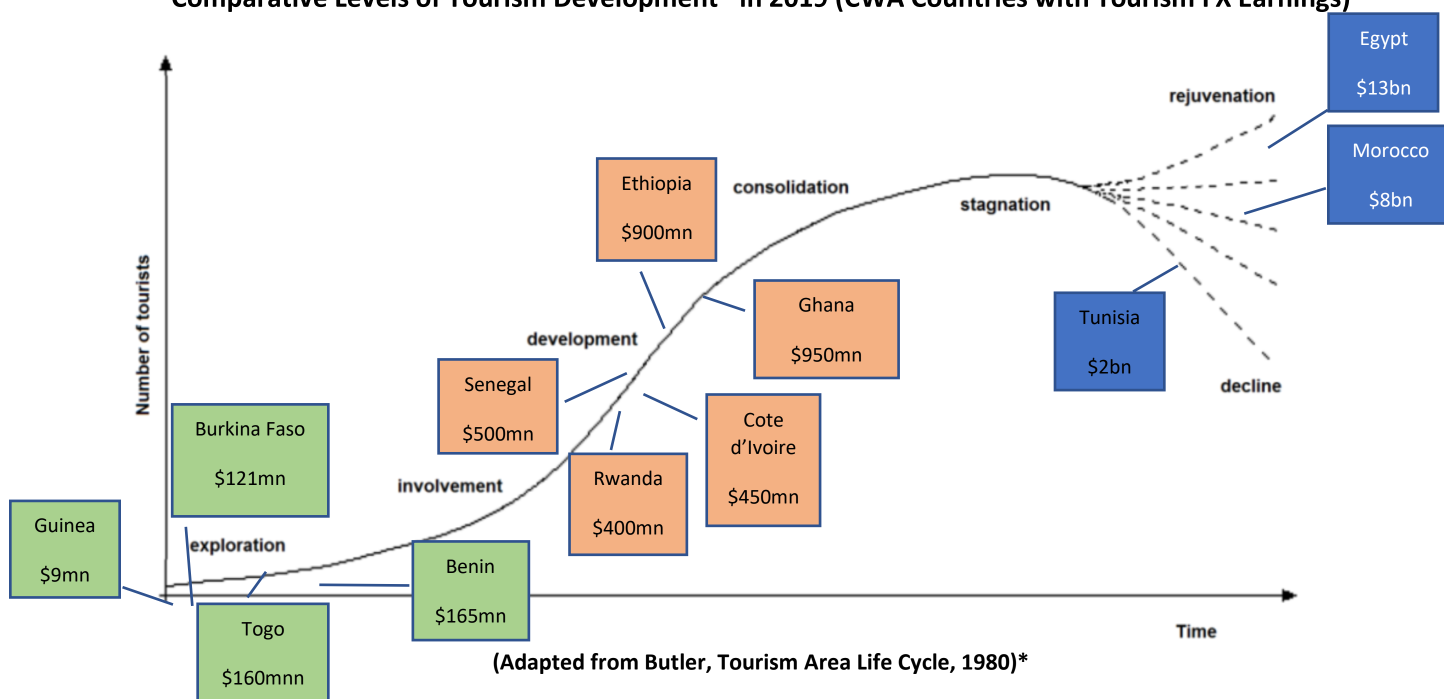
- **Tele-health solutions (India).** Private sector providers are offering a number of tele-health solutions. For example, in India some state governments are using a private company to provide support to patients who are at home. This include daily monitoring of patients vitals and symptoms, and educating patients around sanitation methods to reduce transmission within the home. The COVID-19 pandemic has disrupted care for chronic diseases such as diabetes and hypertension which require ongoing management. Private providers are using tele-medicine to continue treatment, and ensure that patients are able to continue managing their diseases.

A Role for Tourism Post-COVID?
Impact of COVID-19 on the tourism sector in CWA countries

Pre-COVID Tourism performance across CWA countries

The CWA countries have differing levels of tourism infrastructure development, different product and market mixes, and varying degrees of government commitment to tourism as an economic driver. They therefore face discrete challenges and opportunities with respect to response and recovery from the stress tests imposed by COVID-19. It is helpful to initially classify these typologies to allow relevant comparisons in terms of policy responses that might facilitate tourism recovery.

Comparative Levels of Tourism Development* in 2019 (CWA Countries with Tourism FX Earnings)



(Adapted from Butler, Tourism Area Life Cycle, 1980)*

The above Tourism Area Life Cycle model clearly shows three distinct clusters based on foreign exchange earnings, but also roughly by tourism visitor numbers, and tourism-related employment. While a useful proxy for overall tourism development status, there are many other factors affecting potential tourism earnings; size of country, safety and security, quality of natural and cultural endowments (coastal and land-locked), international access, business and investment climate, number of hotel rooms and overall tourism infrastructure. A further useful measure of the relative economic importance of the tourism revenues indicated above is what they account for in terms a proportion of GDP. To some extent this is also an indicator of vulnerability because of a dependence on tourism. While all countries will be impacted by the COVID-19 crisis, the extent of that impact will depend on i) the degree of *dependence* of the country's economy on tourism and tourism-related services and suppliers; ii) the supply-side *resilience* of the country -- its ability to respond and recover from the crisis; and iii) the demand dynamics - resilience of the country's key tourism source markets.

An analysis of measures of dependency and resilience is also a useful means of prioritizing. The dependency measure uses 2019 World Travel and Tourism Council (WTTC)[7] data on the total contribution of travel and tourism to GDP and to employment, with data for 177 countries. Supply-side tourism resilience is assessed using 45 indicators from the 2019 World Economic Forum Travel and Tourism Competitiveness Index (WEF TTCI).[8] For demand-side resilience, there is still high levels of uncertainty given that the timeline for travel demand recovery will likely be driven by advances in medicine and healthcare related policies.

Table 1. Tourism Dependency by Tourism contribution to GDP, WTTC 2019, (country names)

Severe = ≥20% of GDP	High = 10-20% of GDP	Medium = 5-9% of GDP	Low = ≤5% GDP in tourism
Seychelles, Sao Tome & Principe, Mauritius	Morocco, Tunisia, Cote d'Ivoire, Rwanda	Egypt, Ethiopia, Ghana, Benin, Togo, Senegal	Burkina Faso, Guinea

The tourism resilience score was calculated as the mean score across the seven unweighted WEF pillars[9] to create a Tourism Resilience Risk (TRR) or vulnerability score. The score was inverted so higher scores indicate higher resilience risk. This score was then plotted against the total tourism contribution to GDP to identify which countries' tourism sectors are most at risk and are most likely to need priority tourism support in response to the COVID-19 crisis.

[7] WTTC (2019) Economic Impact Country Analysis. https://www.wttc.org/economic-impact/

[8] WEF (2019 The Travel & Tourism Competitiveness Report 2019 Travel and Tourism at a Tipping Point http://www3.weforum.org/docs/WEFpdf

[9] The seven WEF Pillars: **Policy environment for business.** Includes 12 indicators to assess if a country's policy environment is conducive for companies to do business. A strong enabling environment is critical for fast business recovery and attracting new investment with the onset of recovery. **Health and hygiene**. Includes six indicators of health and hygiene that are essential for COVID-19 recovery, such as the number of hospital beds and physician density. **ICT readiness.** Includes eight indicators (for example, mobile subscriptions, mobile network coverage, internet use) as digital engagement is likely to be a key factor to get tourism SMEs back in operation. **Prioritization of travel and tourism by government.** Includes six indicators that demonstrate government spending and management of tourism including availability of data and brand strategy. Countries that prioritize tourism, communication, and marketing will recover faster. **International openness.** Assesses visa regulations, air transport agreements, and trade agreements. While recovering from a crisis, countries with more open entry requirements will have an advantage. **Air transport.** Includes six indicators that show seat capacity, number of airlines, and quality of airline connections. A diversity of market and air route connections will aide recovery significantly. **Tourist service infrastructure.** Includes indicators on the quality of tourism facilities and services. Destinations with high-quality tourism infrastructure and services are likely to recover sooner, as they will be able to tap into high-end traveler markets that may be the first to travel again.

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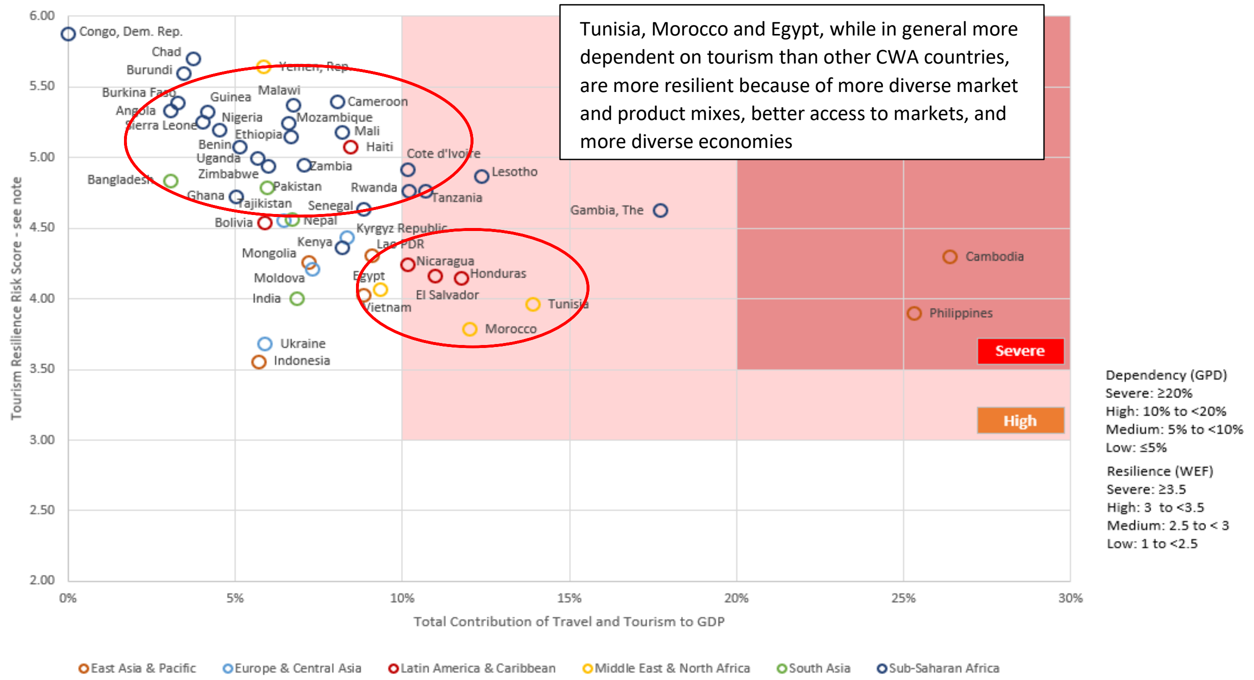
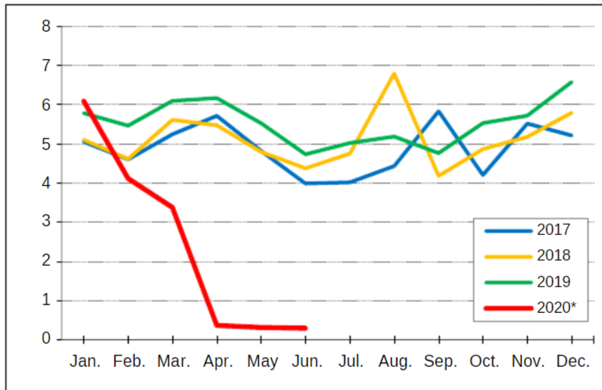
Low and Lower-Middle Income Countries by Combined Tourism Resilience Risk and Dependency Rating



Understanding the impact of COVID-19

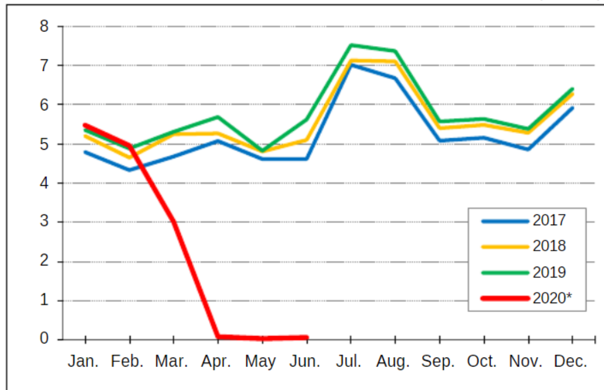
The unique impact of COVID-19 on tourism economies is its Effect on both supply and demand. The almost complete absence of demand has placed severe financial stress on supply-side enterprises and a range of assets such as cultural sites and national parks that are heavily reliant on visitor revenues. This has had cascading impacts across tourism-related supply chains, resulting in large scale job losses and a dramatic fall in foreign exchange earnings and remittances. The latest figures from the World Travel and Tourism Council (WTTC) indicate that globally up to 197 million jobs are at risk in the sector with a potential global tourism-related revenue loss of up to $5.5 trillion in 2020.[10] The illustrations below show the impact of COVID-19 travel restrictions on tourist arrivals across the Middle East and Africa.

International Tourist Arrivals by month
Middle East (million)



Source: World Tourism Organization (UNWTO) ©

International Tourist Arrivals by month
Africa (million)

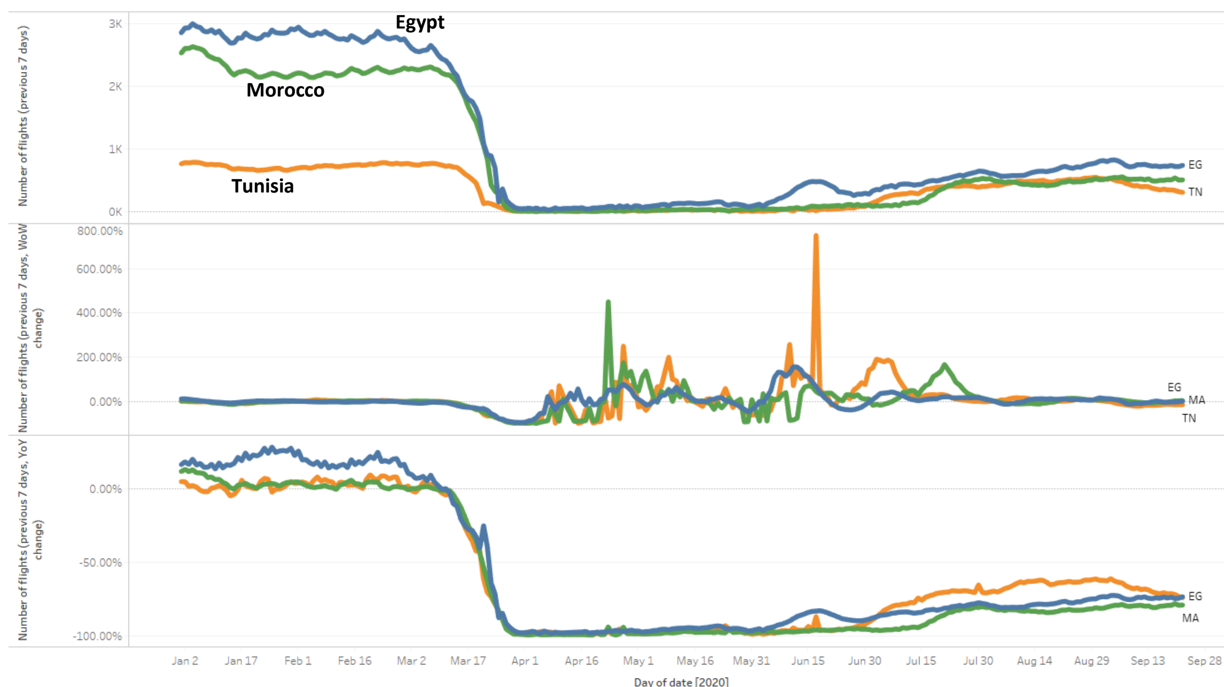


Source: World Tourism Organization (UNWTO) ©

[10] According to estimates compiled by WTTC, travel and tourism accounted for at least 10 percent of GDP and employment in 84 countries prior to the crisis – 22 of which are low and lower-middle income countries.

The data for passenger flight arrivals shows a very similar pattern, but also some signs of recovery starting in July, 2020.

Flights with Passengers Arriving at all Airports: Jan-End Sept 2020



Much of Europe is now experiencing a second wave of lockdowns so there is a renewed sense uncertainty about the degree to which tourism supply and market demand will recover. Airlines, accommodation providers, cruise lines, and tour operators and are experiencing severe economic difficulties. The International Air Transport Association (IATA) estimates that passenger air travel – as measured by revenue passenger kilometers – will remain 32 to 41 percent below expected levels in 2021 driving many airlines into technical bankruptcy. Large hotel brands such as Marriott, have reported that quarterly revenue losses are worse than those experienced during 9/11 and the 2008 global financial crisis combined and many will be forced to close and layoff thousands of workers. The UNWTO predict that tourism demand for 2020 will be about 70% lower than 2019 overall, with strong increases in domestic travel, regional travel in "bubbles" and "corridors" and a renewed interest in ecotourism and outdoor and in-nature recreation (walking, hiking, biking, horse riding, safaris).

The path to post-COVID recovery

Tourism policy makers are responding in two distinct phases — response and recovery. Response measures are focused on mobilizing public resources to help private sector enterprises to maintain their workforces given the sudden and, in some cases, complete collapse in demand. These measures have included providing direct financial support to firms and fiscal and monetary incentives to preserve human capital – for instance Rwanda, Morocco, Egypt and Tunisia have implemented training for tourism employees and businesses to maintain the industry's human capital and support business' adaption to the new normal. One of the most important initiatives to emerge from crisis has been the creation of a range of local and national coordination "tourism task forces" that have brought together adjacent sectors like the aviation industry to provide a consistent experience for travelers and harmonize policies in tandem with tourism.

Sustained recovery for tourism-related industries will be entirely dependent on the ability (in terms of travel restrictions from their home countries) and willingness of tourists to get on planes, boats, trains and in cars

and busses, and in turn, on the capacity of tourist-originating markets and tourist host destinations to curb and contain the spread of COVID-19.

Recovery Priority 1: Health and Safety. The first priority is therefore ensuring that health and safety protocols are in place and functioning effectively at every potential contact point between consumers and service providers. The World Travel and Tourism Council (WTTC)[11] has partnered with UNWTO and WHO and its corporate membership to develop a global "Safe Travels" stamp that certifies service providers across a range on industries including; hospitality, attractions, outdoor retail, aviation, airports, convention centers, short term rentals, cruise operators, tour operators, and car rental. Rwanda is one of the first countries to receive a "Safe Travel" stamp having fulfilled all the required protocols across the range of tourism industries.

Recovery Priority 2: Ensure adequate re-opening working capital. As the effects of the pandemic continue, it will be increasingly difficult to support all firms. Support may need to be channeled to firms that have higher potential to: lead recovery through stimulating demand, tap into larger financial and organizational capital (which may be difficult to replace), and those with greater capacity to support other less resilient firms in the supply chain. It may be necessary to ration support to firms based on clear criteria including strength of underlying business.

Recovery Priority 3: Reevaluate and reset a tourism strategy to accommodate changing markets and business models. Encourage domestic and regional travel as early pathway to recovery. Consider establishing travel bubbles within the country or with neighbors where the virus is contained. Encourage distanced transportation options such as driving to limit crowding. Incentivize business creation, expansion and entrepreneurship. Provide waivers for permit/license fees (both new issuance and renewals) for hotels, travel agents, and tour guides; these could also be broadened for transportation services such as taxis and vehicle rentals. Where appropriate, legitimize sharing economy platforms to include them in recovery efforts. Assist informal businesses to get registered as it is likely that many of the benefits/subsidies that are or will become available can only be accessed by registered entities. Provide temporarily import duties relief on imports of intermediate materials or products used in supply chain.

Recovery Priority 4: Leverage digital technologies to improve market intelligence and destination promotion. Improve data collection and support background analytical work to identify future market demand and new product development to support a fast recovery. Assess capacity in tourism data collection, dissemination and market research for domestic and foreign segments to diversify markets and identify vulnerabilities. Destinations, working in conjunction with their national governments, can leverage crisis insights to shift from traditional products to those in higher demand in the reconfigured marketplace. Embrace technology such as crowd monitoring applications for more agile visitor movement and management. Provide timely public health information to travelers. Leverage technology solutions to create digital tourism experiences to adapt to extended periods of social distancing. Upskill employees to design immersive experiences that can provide alternative revenue streams and stimulate demand for the in-person equivalent experience post-recovery. In addition, digital technologies should be used to minimize touch points and streamline airport operations to help increase travelers' confidence.

Recovery Priority 5: Start planning for resilience and sustainability. The most pressing need from clients is turning back on the revenue taps, but, as almost every country is finding it's not that simple. In thinking about building back in the context of uncertain future demand trends and considering the possibility of an ongoing COVID-19 threat, other virus-like pandemics, or political instability, there is clearly a need to think through, and plan for, greater resilience. Countries with cultural and natural endowments need to consider these assets can be leveraged without tourists visiting them. Also, how these endowments can contribute to

[11] https://wttc.org/COVID-19/Safe-Travels-Global-Protocols-Stamp

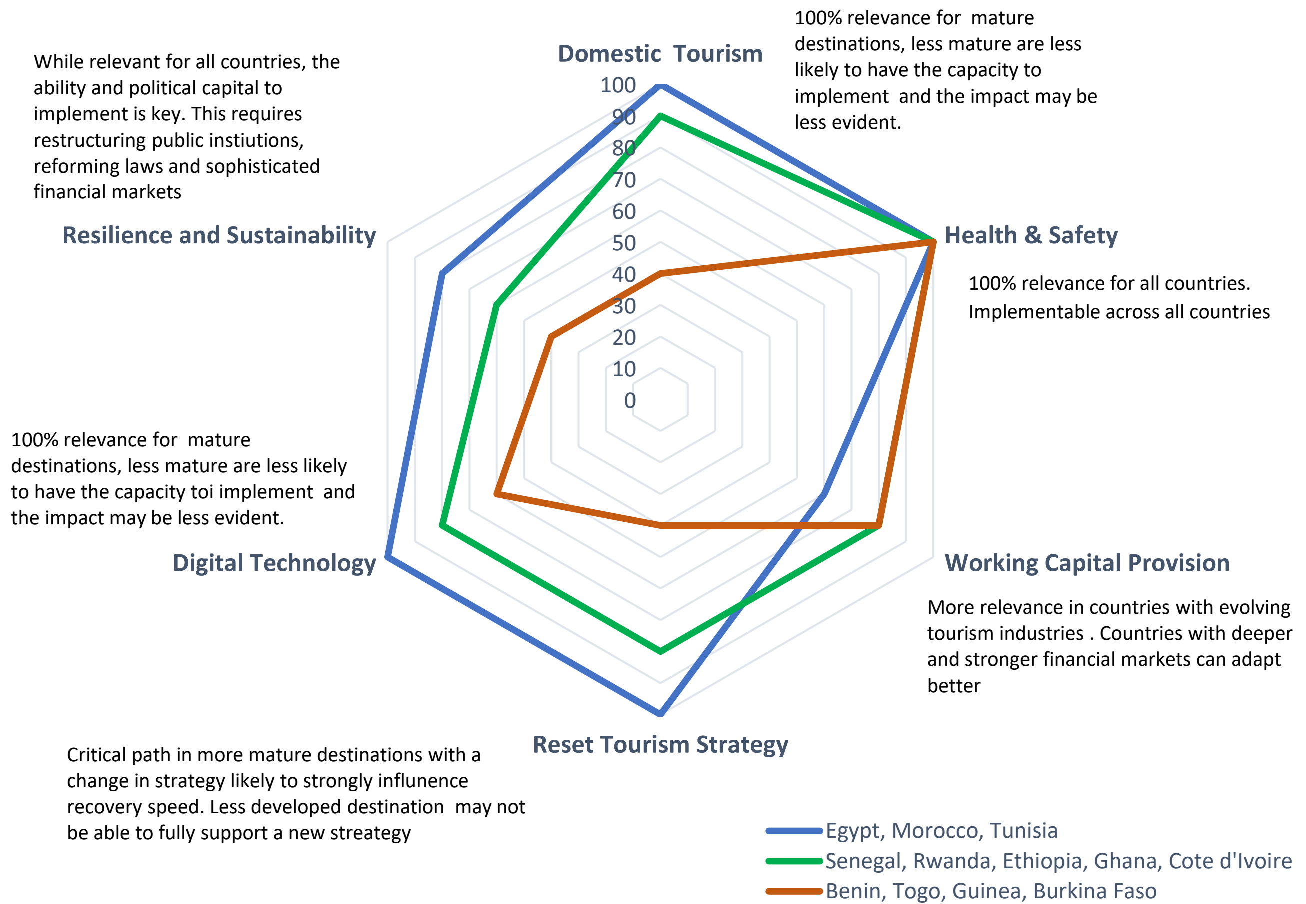
inclusive local economies, foreign exchange, and improved local livelihoods and quality of life. Typically natural and cultural endowments are viewed as public goods and are protected (usually constitutionally), financed (usually by subvention through the national budget) and managed (usually by a government agency/authority) by governments. Also typically, they are chronically under-funded and poorly managed as a consequence.

What are other revenue options? The landscapes that support biodiversity and ecosystem services (such as terrestrial and marine national parks) have economic value and have potential to attract private finance in different or combined forms. **Payments for ecosystem services** (PES) are an important mechanism to maintain natural habitats and can take the form of biodiversity credits paid for by governments or private sector partners (e.g. Perrier-Vittel, the world largest bottler of mineral water, entered into a land management agreement with farmers upstream from the source to safeguard the quality of their water) (Perrot-Maître, 2006). **Carbon offsets** can also contribute to monetizing revenue in a forested landscape. **Debt-for-nature swaps** are ways governments can monetize environmental and biodiversity protection.

Also, there is a role for **green finance** to direct capital towards the production of, for example, food, water, raw materials, energy, construction, and manufacturing in a sustainable way linked to the underlying landscape. The financial sector is increasingly recognizing the risks posed by loss of biodiversity and ecosystems to the real sector projects and companies in which they invest. Given the fast accelerating risk of biodiversity loss, financial institutions are starting to use their leverage and push for faster change in the real sector by attaching specific conditions to their capital allocation. **Bond and guarantee** instruments can also support and incentivize the conservation of these landscapes, or flagship species they support.

There are also many small scale examples of **hybrid for-profit/NGO/PPP nature based land and marine management** that can serve to reduce public costs and improve positive impacts. Aligning these structures with investor needs is dependent on developing the appropriate legal and governance frameworks to facilitate secure investment vehicles and allow scale.

Relevance and Capacity to Implement by Percent Across CWA Cluster Countries



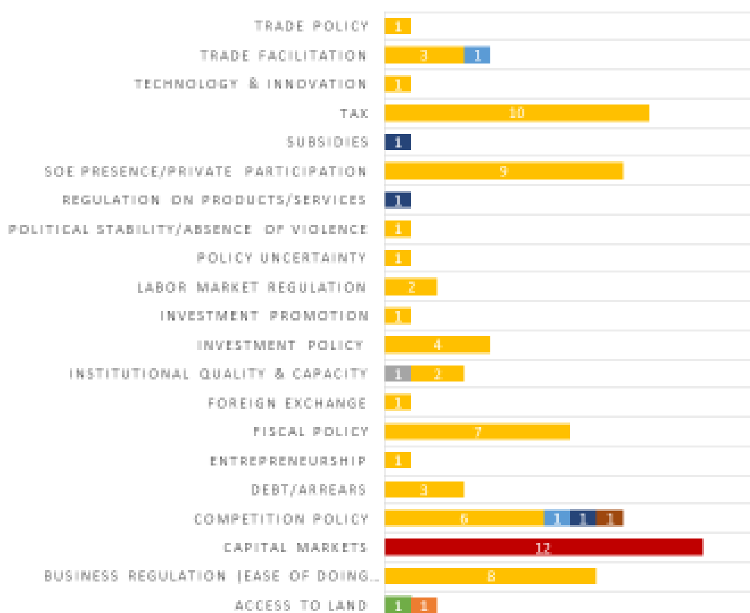
Annex II: Recommendations from the Country Private Sector Diagnostics (CPSDs)

CPSDs have been published for seven of the CWA countries (four more are underway). As shown in the figure below, they reinforce the need for completing the cross-cutting policy reforms CWA countries committed to and identify additional sector specific reforms in the key sectors.

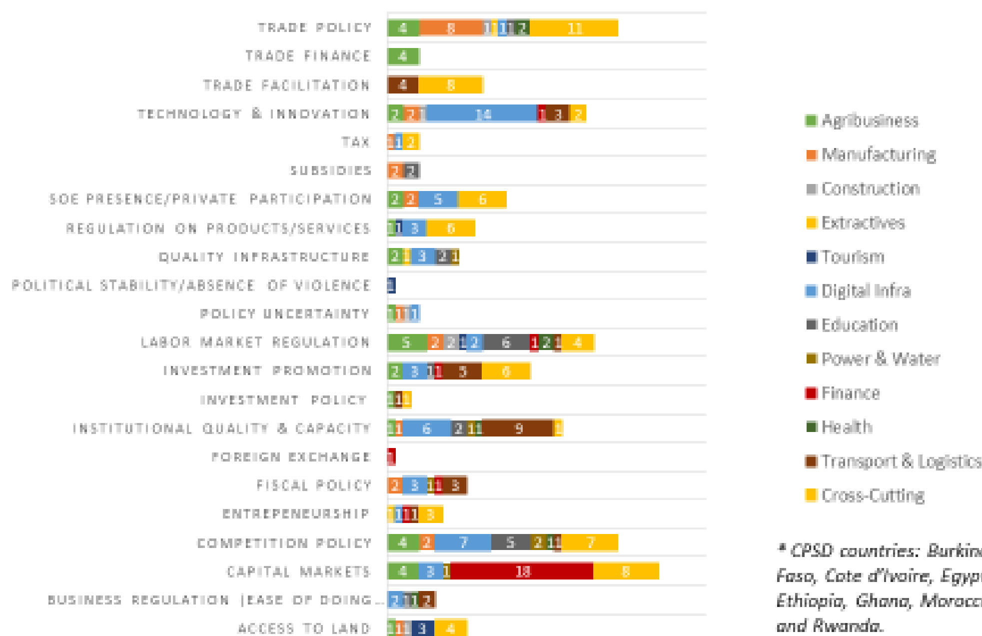
1. REFORMS TO ADDRESS POST-COVID RECOVERY ACROSS COMPACT (CWA) COUNTRIES

- Most of the 82 CwA ongoing reforms are **cross-cutting** and tend to focus on **solid macroeconomic conditions** e.g. tax/fiscal management (25%) as well as competition/market entry and level playing field (33%). **Financial inclusion** (15%) also a big priority.
- Policy recommendations drawn from 7 CwA Country Private Sector Diagnostics (IFC/World Bank) have helped identify a wider, diversified and longer-term set of PSD issues (incl. technology, trade and investment policy, etc.). **Food and agriculture, Access to finance and other cross-cutting business environment issues** are a big priority in CwA countries.

ONGOING REFORMS IN CWA COUNTRIES BY SECTOR AND POLICY AREA



CPSD RECOMMENDATIONS IN 7 COMPACT COUNTRIES* BY SECTOR AND POLICY AREA



** CPSD countries: Burkina Faso, Cote d'Ivoire, Egypt, Ethiopia, Ghana, Morocco and Rwanda.*

Annex III: Policy Reponses to COVID-19 - IMF Policy Tracker

The IMF Policy Tracker summarizes the key economic responses governments are taking to limit the human and economic impact of the COVID-19 pandemic. The tracker includes 196 economies, and the 12 Compact with Africa member countries are reflected below. The responses reflect the updates as of October 9, 2020.

BENIN: Key COVID-19 Policy Responses
Fiscal. The authorities have developed an ambitious response plan to covid-19 pandemic, which aims at raising healthcare spending, granting cash transfers to vulnerable households, and providing support to impacted businesses. More specifically, the response package consists of: (i) an increase in health spending by CFAF 60 billion to cover the cost of purchasing medical equipment, the construction of temporary centers to care for people who are sick, and quarantine arrangements for at-risk populations; (ii) a total of CFAF 50 billion to help the most vulnerable segments of the population through various forms of cash transfers; and (iii) a CFAF40 billion to support struggling businesses through targeted and temporary tax exemptions and a relaxation of certain payment rules. The cost of this plan for 2020 has been set at CFAF 150 billion (1.7 percent of GDP).
Monetary and Macro-Financial Policies. The regional central bank (BCEAO) for the West-African Economic and Monetary Union (WAEMU) has taken steps to better satisfy banks' demand for liquidity and mitigate the negative impact of the pandemic on economic activity. The BCEAO adopted a full allotment strategy at a fixed rate of 2.5 percent (the minimum monetary policy rate) thereby allowing banks to satisfy their liquidity needs fully at a rate about 25 basis points lower than before the crisis. On June 22, the Monetary Policy Committee cut by 50 basis points the ceiling and the floor of the monetary policy corridor, to 4 and 2 percent respectively. The BCEAO has also: (i) extended the collateral framework to access central bank refinancing to include bank loans to prequalified 1,700 private companies; (ii) set-up a framework inviting banks and microfinance institutions to accommodate demands from customers with Covid19-related repayment difficulties to postpone for a 3 month renewable period debt service falling due, without the need to classify such postponed claims as non-performing; and (iii) introduced measures to promote the use of electronic payments. In addition, the BCEAO launched in April 2020 a special 3-month refinancing window at a fixed rate of 2.5 percent for limited amounts of 3-month "Covid-19 T-Bills" to be issued by each WAEMU sovereign to help meet immediate funding needs related to the current pandemic. The amount of such special T-Bills issued by Benin amounted to 1.5 percent of GDP. Benin has been recently allowed to issue the equivalent of 1.5 percent of GDP of new 3-months Covid-19 T-Bills that banks may refinance with the BCEAO for their term to maturity at 2 percent. Finally, WAEMU authorities have extended by one year the five-year period initiated in 2018 for the transition to Basle II/III bank prudential requirements. In particular, the regulatory capital adequacy ratio will remain unchanged at end-2020 from its 2019 level of 9.5 percent, before gradually increasing to 11.5 percent by 2023 instead of 2022 initially planned.
Exchange Rate and Balance of Payments. No measures.

BURKINA FASO: Key COVID-19 Policy Responses

Fiscal. The Parliament on July 9, 2020 approved the revised 2020 budget which seeks to address the socio-economic impacts of COVID-19. Several measures have been taken and are contemplated under the revised budget, including: (i) lowering import duties and VAT for hygiene and healthcare goods and services critical to tackle COVID-19, and for tourism businesses; (ii) lowering other selected tax rates; (iii) delaying tax payments, and waiving late payment fines and penalties; (iv) suspending government fees charged on informal sector operators for rent, security and parking in urban markets; (v) lowering the licensing fee for companies in the transportation and tourism sectors; (vi) suspending on-site tax inspection operations; (vii) Donating food and providing assistance to households and local small businesses; (viii) supporting the water and electricity bills, including through cancelation, of the most vulnerable social groups; and (ix) securing adequate stocks of consumer products and strengthening surveillance of prices. An emergency response plan for the health sector has been prepared and expired in June. For the post-June period, a COVID-19 response plan has been prepared which includes both health-related measures and measures to support the social and economic recovery. The plan will be regularly updated to reflect local and global developments. On April 27, Heads of states of the West-Africa Economic and Monetary Union (WAEMU) declared a temporary suspension of the WAEMU growth and stability Pact setting six convergence criteria, including the 3 percent of GDP fiscal deficit rule, to help member-countries cope with the fallout of the Covid-19 pandemic. This temporary suspension will allow member-countries to raise their overall fiscal deficit temporarily and use the additional external support provided by donors in response to the Covid-19 crisis. The Heads of States' Declaration sets a clear expectation that fiscal consolidation will resume once the crisis is over.

Monetary and Macro-Financial Policies. The regional central bank (BCEAO) for the West-African Economic and Monetary Union (WAEMU) has taken steps to better satisfy banks' demand for liquidity and mitigate the negative impact of the pandemic on economic activity. The BCEAO adopted a full allotment strategy at a fixed rate of 2.5 percent (the minimum monetary policy rate) thereby allowing banks to satisfy their liquidity needs fully at a rate about 25 basis points lower than before the crisis. On June 22, the Monetary Policy Committee cut by 50 basis points the ceiling and the floor of the monetary policy corridor, to 4 and 2 percent respectively. The BCEAO has also: (i) extended the collateral framework to access central bank refinancing to include bank loans to prequalified 1,700 private companies; (ii) set-up a framework inviting banks and microfinance institutions to accommodate demands from customers with Covid19-related repayment difficulties to postpone for a 3 month renewable period debt service falling due, without the need to classify such postponed claims as non performing; and (iii) introduced measures to promote the use of electronic payments. In addition, the BCEAO launched in April 2020 a special 3-month refinancing window at a fixed rate of 2.5 percent for limited amounts of 3-month "Covid-19 T-Bills" to be issued by each WAEMU sovereign to help meet immediate funding needs related to the current pandemic. The amount of such special T-bills is equivalent to 0.8 percent of GDP. Burkina Faso has been recently allowed to issue the equivalent of 0.5 percent of GDP of new 3-months Covid-19 T-Bills that banks may refinance with the BCEAO for their term to maturity at 2 percent. Finally, WAEMU authorities have extended by one year the five-year period initiated in 2018 for the transition to Basel II/III bank prudential requirements. In particular, the regulatory capital adequacy ratio will remain unchanged at end-2020 from its 2019 level of 9.5 percent, before gradually increasing to 11.5 percent by 2023 instead of 2022 initially planned.

Exchange Rate and Balance of Payments. No measures.

COTE D'IVOIRE: Key COVID-19 Policy Responses

Fiscal. The government adopted an emergency health response plan of 96 billion CFAF (or 0.3 % of GDP). It will (i) provide free care for those with the infection and equipping intensive care units; (ii) strengthen epidemiological and biological surveillance (virus testing; creation of a free call center, rehabilitating and equipping laboratories); (iii) reinforce capacities of pharmaceutical industries and financing research on the virus. On March 31, the government announced a package of economic measures to prop the income of the most vulnerable segments of the population through agricultural input support and expanded cash transfers, provide relief to hard-hit sectors and firms, and support public entities in the transport and port sectors to ensure continuity in supply chains. In this regard, the authorities created 4 special Funds to be spent over 2 years, including the National Solidarity Fund of 170 billion CFAF (0.5 % of GDP), the Support Fund for the informal sector of 100 billion CFAF (0.3 % of GDP), the Support Fund for the small and medium enterprises of 150 billion CFAF (0.4 % of GDP) and the Support Fund for large companies of 100 billion CFAF (0.3 % of GDP). They will also provide financial support to the agriculture sector by 300 billion CFAF (0.8 % of GDP). On April 27, 2020, Heads of states of the West-Africa Economic and Monetary Union (WAEMU) declared a temporary suspension of the WAEMU growth and stability Pact setting six convergence criteria, including the 3 percent of GDP fiscal deficit rule, to help member-countries cope with the fallout of the Covid-19 pandemic. This temporary suspension will allow member-countries to raise their overall fiscal deficit temporarily and use the additional external support provided by donors in response to the Covid-19 crisis. The Heads of States' Declaration sets a clear expectation that fiscal consolidation will resume once the crisis is over.

Monetary and Macro-Financial Policies. The regional central bank (BCEAO) for the West-African Economic and Monetary Union (WAEMU) has taken steps to better satisfy banks' demand for liquidity and mitigate the negative impact of the pandemic on economic activity. The BCEAO adopted of a full allotment strategy at a fixed rate of 2.5 percent (the minimum monetary policy rate) thereby allowing banks to satisfy their liquidity needs fully at a rate about 25 basis points lower than before the crisis. On June 22, the Monetary Policy Committee cut by 50 basis points the ceiling and the floor of the monetary policy corridor, to 4 and 2 percent respectively. The BCEAO has also: (i) extended the collateral framework to access central bank refinancing to include bank loans to prequalified 1,700 private companies; (ii) set-up a framework inviting banks and microfinance institutions to accommodate demands from customers with Covid19-related repayment difficulties to postpone for a 3 month renewable period debt service falling due, without the need to classify such postponed claims as non-performing; and (iii) introduced measures to promote the use of electronic payments. In addition, the BCEAO launched in April 2020 a special 3-month refinancing window at a fixed rate of 2.5 percent for limited amounts of 3-month "Covid-19 T-Bills" to be issued by each WAEMU sovereign to help meet immediate funding needs related to the current pandemic. The amount for such special T-Bills issued by Cote d'Ivoire amounted to 1.5 percent of GDP. Côte d'Ivoire has been recently allowed to issue the equivalent of 0.6 percent of GDP of new 3-months Covid-19 T-Bills that banks may refinance with the BCEAO for their term to maturity at 2 percent. Finally, WAEMU authorities have extended by one year the five-year period initiated in 2018 for the transition to Basle II/III bank prudential requirements. In particular, the regulatory capital adequacy ratio will remain unchanged at end-2020 from its 2019 level of 9.5 percent, before gradually increasing to 11.5 percent by 2023 instead of 2022 initially planned.

Exchange Rate and Balance of Payments. No measures.

EGYPT : Key COVID-19 Policy Responses
Fiscal. The government has announced stimulus policies in the USD 6.13 billion package (EGP 100 billion, 1.8 percent of GDP) to mitigate the economic impact of COVID-19. Pensions have been increased by 14 percent. Expansion of the targeted cash transfer social programs, Takaful and Karama, are also being extended to reach more families. A targeted support initiative for irregular workers in most severely hit sectors has been announced, which will entail EGP 500 in monthly grants for 3 months to close to 1.6 million beneficiaries. A consumer spending initiative of close to EGP 10 billion has been launched to offer citizens two-year, low-interest loans to pay for consumer goods discounted by up to 10-25 percent and provide ration card subsidies. A new guarantee fund of EGP 2 billion has been formed to guarantee mortgages and consumer loans made by banks and consumer finance companies. To support the healthcare sector, EGP 8 billion has been allocated, targeted at providing urgent and necessary medical supplies, and disbursing bonuses for medical staff working in quarantine hospitals and labs. To support medical professionals, including doctors working in university hospitals, a 75 percent allowance over the wages has been announced. Energy costs have been lowered for the entire industrial sector; real estate tax relief has been provided for industrial and tourism sectors; and subsidy pay-out for exporters has been stepped up, discount on fuel price has been announced for the aviation sector As part of the EGP 100 billion stimulus, EGP 50 billion has been announced for the tourism sector, which contributes close to 12 percent of Egypt's GDP, 10 percent of employment, and almost 4 percent of GDP in terms of receipts, as of 2019. The moratorium on the tax law on agricultural land has been extended for 2 years. The stamp duty on transactions and tax on dividends have been reduced. Capital gains tax has been postponed until further notice. A Corona tax of 1 percent on all public and private sector salaries and 0.5 percent on state pensions have been imposed, the proceeds of which are earmarked for sectors and SMEs most affected by the pandemic.
Monetary and Macro-Financial Policies. The central bank reduced the policy rate by 300bps in response to the pandemic, and has since then reduced the policy rate by an additional 50 bps. The preferential interest rate has been reduced from 10 percent to 8 percent on loans to tourism, industry, agriculture and construction sectors, as well as for housing for low-income and middle-class families. A housing initiative has been announced to provide low cost financing for housing units. A new lending initiative with soft loans at zero-to-low interest rates from banks is aimed at replacing old cars with natural gas-powered vehicles. A government guarantee of EGP 3 billion on low-interest loans by the central bank has been announce for the tourism industry soft loans. The central bank has also approved an EGP 100 billion guarantee to cover lending at preferential rates to the manufacturing, agriculture and contracting loans. Loans with a two-year grace period will be made available to aviation sector firms. Support has been announced for small projects harmed by COVID-19, especially in the industrial and labor-intensive sectors, through the availability of short-term loans of up to a year, to secure the necessary liquidity for operational expenses until the crisis is over. The limit for electronic payments via mobile phones has been raised to EGP 30,000/day and EGP 100,000/month for individuals, and to EGP 40,000/day and EGP 200,000/per week for corporations. Microlenders have been advised by the Financial Regulatory Authority to consider delays on a case-by-case basis, of up to 50 percent of the value of monthly installments for struggling clients, and the regulations issued last year requiring banks to obtain detailed information of borrowers have been relaxed. Suspension of credit score blacklists for irregular clients and waiver of court cases for defaulted customers have been announced. The central bank has also launched an EGP 20 billion stock-purchase program which it has minimally used. A temporary daily limit has been put in place for deposits and cash withdrawals for individuals and companies, which was relaxed during Ramadan.
Exchange Rate and Balance of Payments. Large capital outflows have resulted in a drawdown of reserves to avoid excessive exchange rate volatility from the severe turbulence in financial markets.

ETHIOPIA : Key COVID-19 Policy Responses

Fiscal. Ethiopia initially announced a Br 300 million package to bolster healthcare spending in early March. On March 23, the Prime Minister announced the aid package would be increased to Br 5 billion (US$154 million or 0.15 percent of GDP) but details on the precise modalities of the assistance were not made available. On April 3, the Prime Minister's office announced a COVID-19 Multi-Sectoral Preparedness and Response Plan, with prospective costing of interventions of US$1.64 billion (about 1.6 percent of GDP). The funds were expected to be allocated as follows: (i) $635 million (0.6 percent of GDP) for emergency food distribution to 15 million individuals vulnerable to food insecurity and not currently covered by the rural and urban PSNPs; (ii) $430 million (0.4 percent of GDP) for health sector response under a worst-case scenario of community spread with over 100,000 COVID-19 cases of infection in the country, primarily in urban areas; (iii) $282 million (0.3 percent of GDP) for provision of emergency shelter and non-food items; (iv)The remainder ($293 million, 0.3 percent of GDP) would be allocated to agricultural sector support, nutrition, the protection of vulnerable groups, additional education outlays, logistics, refugees support and site management support. In practice, much less has been spent to date. The Urban PSNP is being temporarily expanded in early FY 2020/21 to cover over 500,000 new beneficiaries for three months at a cost of US$88 million.

On April 30, the Council of Ministers approved another set of economic measures to support firms and employment. These include forgiveness of all tax debt prior to 2014/2015, a tax amnesty on interest and penalties for tax debt pertaining to 2015/2016-2018/2019, and exemption from personal income tax withholding for 4 months for firms who keep paying employee salaries despite not being able to operate due to Covid-19.

On June 25, the Prime Minister's Office released a statement detailing measures intended to support FDI in the country through the crisis and recovery, including: (i) operational facilitation of logistics in export and import process (such as free railway transport of manufacturing goods between Ethiopia and Djibouti); (ii) removal of taxes from the import of raw materials for the production of Covid-19 essential goods, and lifting of the minimum price set by the NBE for horticulture exports.

A broader set of measures including further support to enterprises and job protection in urban areas and industrial parks is under discussion with the donor community but has not been formalized. The Urban Productive Safety Net Programme will be expanded to 16 additional cities over the first two months of FY 2020/21, in collaboration with the World Bank, at an estimated cost of $88 million.

Ethiopian authorities have received IMF support in the form of an RFI at 100 percent of quota (given maxed out use of PRGT resources under the ongoing ECF/EFF program).

Monetary and Macro-Financial Policies. The central bank has provided 15 billion birr (0.45 percent of GDP) of additional liquidity to private banks to facilitate debt restructuring and prevent bankruptcies. It has also provided 33 billion birr of additional liquidity to the Commercial Bank of Ethiopia.

Exchange Rate and Balance of Payments. No measures.

GHANA : Key COVID-19 Policy Responses
Fiscal. The government has so far committed a total of GHc 11.2 billion to face the pandemic and its social and economic consequences. The bulk of these funds (GHc 10.6 billion) are being used under the Coronavirus Alleviation Programme to support selected industries (e.g., pharmaceutical sector supplying COVID-19 drugs and equipment), support SMEs, finance guarantees and first-loss instruments, build or upgrade 100 district and regional hospitals, and address availability of test kits, pharmaceuticals, equipment, and bed capacity. Another GHc 600 million were used initially to support preparedness and response. To compensate for larger spending related to the COVID-19 crisis, the government plans to cut spending in goods and services, transfers, and capital investment (also reflecting the lower absorption capacity due to the pandemic), for a total of at least GHc 1.1 billion (0.3 percent of GDP). In addition, the government has agreed with investors to postpone interest payment on non-marketable domestic bonds held by public institutions to fund the financial sector clean-up for about GHc 1.2 billion (0.3 percent of GDP). The government has also drawn US$218 million from the stabilization fund and will borrow up to GHc 10 billion from the Bank of Ghana.
Monetary and Macro-Financial Policies. The Monetary Policy Committee (MPC) cut the policy rate cut by 150 basis points to 14.5 percent on March 18, and announced several measures to mitigate the impact of the pandemic shock, including lowering the primary reserve requirement from 10 to 8 percent, lowering the capital conservation buffer from 3 to 1.5 percent, revising provisioning and classification rules for specific loan categories, and steps to facilitate and lower the cost of mobile payments. The committee also signaled it would continue to monitor the economic impact of COVID-19 and take additional measures if necessary. At its September 28 meeting, the MPC kept the policy rate unchanged. A 10-year government bond with a face value of GHc 10 billion (2.6percent of GDP) has been purchased by the Central Bank.
Exchange Rate and Balance of Payments. No measures.

GUINEA : Key COVID-19 Policy Responses

Fiscal. A National Emergency Preparedness and Response Plan for a COVID-19 outbreak was prepared, with the support of international development partners. Key measures focus on strengthening surveillance at ports of entry; reinforcing capacity for COVID-19 detection; increasing the number of quarantine centers; expanding treatment facilities and acquiring needed medical equipment; and conducting a communication campaign. The implementation cost of the National Emergency Plan is estimated at US$47 million (0.3 percent of GDP).

In addition, a COVID-19 economic response plan was announced on April 6, 2020. The Plan aims at strengthening infrastructure in the health sector, protecting the most vulnerable, and supporting the private sector, notably small and medium enterprises. The authorities estimate the cost of the Plan at about US$328 million (2.3 percent of GDP). Key measures include: the introduction of temporary exonerations on taxes, social contributions and payment of utilities for firms in the most affected sectors; the implementation of labor-intensive public works, provision of cash transfers, a waiver on the payment of utilities for the most vulnerable.

On June 23, the authorities announced additional measures, including a three-month extension of some measures initially planned till end-June. The additional cost is estimated at about US$50 million (0.34 percent of GDP). Additional measures include: support to the agricultural sector; exemption from the payment of utility bills for businesses in the tourism and hotel sectors; reduction of taxes on health and life insurance contracts; exemption from the payment of the apprenticeship tax as an incentive to retain workers; and import duty exemption on fishing equipment..

Monetary and Macro-Financial Policies. As announced in the April 6 COVID-19 economic response plan, the central bank of the Republic of Guinea (BCRG) unveiled on April 16 some support measures to mitigate the economic impact of the pandemic on the financial sector. The policy rate and the reserve requirement ratio were both reduced by 100 basis points to 11 and 15 percent respectively. The BCRG allows banks, for the duration of the pandemic, to count against their reserves credit provided to SMEs, businesses in the services sector affected (hotels, restaurants and transport), and major importers of food and pharmaceutical products. The central bank also announced a program of liquidity injection, including a window for the provision of long-term liquidity.

Moreover, the central bank announced measures to mitigate prudential requirements. These include: lowering the liquidity coverage ratio from 100 to 80 percent; suspending the NPL classification for businesses and individuals impacted by the pandemic and the provisioning of such loans; and relaxing the limits on foreign exchange positions (from 20 to 25 percent of capital for the net position, and 10 to 12.5 percent for the position in each currency). Dividend payments have been suspended while financial institutions are required to limit technical assistance fees paid to their parent companies to the strict minimum. Financial institutions have been granted a three-month postponement of the payment of supervision -related fees as well as contributions to the deposit insurance scheme. Insurance companies are to postpone the payment of premia falling due during the epidemic and to suspend policies at the request of customers. Identification requirements for e-money accounts have been eased and companies are encouraged to reduce e-money transfer fees.

Exchange Rate and Balance of Payments. No measures.

MOROCCO : Key COVID-19 Policy Responses

Fiscal. The authorities have created a special fund dedicated to the management of the pandemic, of about 3 percent of GDP financed by the government and by voluntary contributions from public and private entities which will be tax deductible. This fund covers the costs of upgrading medical facilities and support businesses and households impacted by the pandemic. Businesses with less than 500 employees made temporarily idle and experiencing a reduction in turnover of more than 50 percent were authorized to defer social contribution payments until June 30. Their employees who become temporarily unemployed and are registered with the pension fund received 2,000 dirhams a month and were allowed put off debt payments until June 30. In April, almost 1 million workers from 134,000 companies were eligible to these transfers. Companies and households can also defer income tax payment until September 30, 2020. In addition, the government has decided to accelerate payment to its suppliers to support businesses. On September 9, the government has extended social transfers to employees temporarily unemployed and further deferred social contribution payments for some sectors (including tourism).

The government also took measures to support households working in the informal sector. Households' benefiting from the non-contributory health insurance (RAMED) received a monthly mobile payment of DRH 800-1200 (USD 80-120) from April, depending on households' composition. Other households which do not benefit from RAMED can claim cash support by registering online. In April, 85 percent of eligible households in the informal sectoral were covered. The government postponed the deadline for personal income tax filing from end-April to end-June 2020 and provided a tax exemption for additional compensation paid by firms to employees in the formal sector up to a limit of 50 percent of the average monthly net salary. A decree-law adopted on April 6 authorizes the government to increase external borrowing beyond the ceiling approved in the 2020 Budget Act.

On August 6, the authorities announced a plan to sustain the economic recovery and employment levels. The plan envisages the mobilization of DRH 120 billion, mainly in the form of credit guarantees to firms and funding for a newly -created "Fund for Strategic Investment", which will finance investment projects (including PPPs) and sustain the capital of firms that needs equity injections to develop their business.

Monetary and Macro-Financial Policies. The central bank reduced the policy rate by 75 bps to 1.5 percent since March 2020. To support companies, loan payments are suspended for small and medium-sized businesses and self-employed people until June 30. To reduce volatility, the Capital Market Authority decided to revise downwards the maximum variation thresholds applicable to financial instruments listed in Casablanca Stock Exchange.

Given growing demand for liquidity support in the banking system (both in DRH and in EUR/USD), Bank al-Maghrib decided on a three-pronged approach to increase liquidity provision to the banking sector: (i) expand the range of collateral accepted for repos and credit guarantees to include public and private debt instruments (including mortgages), (ii) increase and lengthen central bank refinancing operations to support banking credit to (V)SMEs, and (iii) provide FX swaps to domestic banks. In addition, Bank al-Maghrib decided to bring reserve requirements to zero (from 2 percent) to increase liquidity provision, and to ease refinancing of banks' contribution to microcredit institutions and credit unions.

On March 29, the central bank decided the following prudential and regulatory measures to support the banking sector: (i) Banks are authorized to go below the 100 percent liquidity coverage ratio (LCR) until end-June 2019; (ii) Provisioning requirements are suspended for loans' benefiting from a temporary payment moratorium until end-June 2019; (iii) The capital conservation buffer (CCB) is reduced by 50 bps for one year. In addition, the central bank has call on banks to suspend dividend payments for FY2019.

On April 24, the Moroccan insurance supervisor relaxed some provisioning requirements to mitigate the impact of COVID-19 on the insurance sector.

In addition, Morocco has established a funding for lending facility (Damane Oxygene) which provides loans to (V)SMEs at subsidized interest rates with a guarantee of 95 percent from the Central Guarantee Fund. On May 15, this program was extended to end-2020, and collateral requirements were removed to improve access for

(V)SMEs. 17,500 companies have benefitted from this facility, for a total outstanding amount of 1.6 percent of GDP.
In addition, the government will provide interest-free loan of up to dirham 15,000 to self-employed, with a repayment period of three years and a grace period of one year. The government also cancelled capitalized interests on mortgages (up to DRH 3000 per month) and consumer loans (up to DRH 1500 per month) accrued from March to June 2020 for all households experiencing income losses.
On May 21, the government announced a post crisis facility (Damane Relance) to support businesses that will provide financing to cover working capital needs at subsidized interest rate (with a 4 percent maximum interest rate, equivalent to the current policy rate + 200 basis points). A sovereign guarantee of 95 percent will be provided to SMEs, for an equivalent of up to ten percent of annual turnover. Larger firms will benefit from a sovereign guarantee of 80 to 90 percent of the outstanding loan, which will be capped at one month of turnover for most sectors. Firms will have 7 years to repay with a 2-year grace period. In addition, the government will guarantee state-owned enterprises' loan that will be provided by banks exclusively to repay their suppliers. At end-August, banks provided loans worth about 2.1 percent of GDP to 15,000 firms under this facility. On October 5, the government launched a new facility to provide financing to real estate firms (Damane Relance Promotion Immobilière).

Exchange Rate and Balance of Payments. As part of a gradual and orderly transition to a more flexible exchange rate regime, the authorities broadened the dirham's fluctuation band to +/- 5 percent (from +/- 2.5 percent) on March 6, 2020.
On April 7, the Moroccan authorities purchased all available resources (about US$ 3 billion or 240 percent of quota and about 3 percent of GDP) under the Precautionary and Liquidity Line (PLL) arrangement. This purchase will help the authorities limit the social and economic impact of the COVID-19 pandemic and allow Morocco to maintain an adequate level of official reserves to mitigate pressures on the balance of payments.

RWANDA : Key COVID-19 Policy Responses

Fiscal. The pandemic is expected to cause a revenue shortfall of 2.8 percent of GDP. The government's Economic Recovery Plan in response to the pandemic is estimated at about 3.3 percent of GDP. Support to vulnerable households takes the form of a food distribution program (door-to-door provision of basic food stuffs every three days), cash transfers to casual workers, subsidized access to agricultural inputs, and measures to ensure poor households' access to basic health and education. The government also launched a fund to support affected businesses through subsidized loans from commercial banks and MFIs, and credit guarantees. It targets SMEs and hard-hit sectors such as the hospitality industry. Tax deferral and relief measures include the following: (i) suspension of down payments on outstanding tax for amicable settlement, (ii)softening of enforcement for tax arrears collection, (iii) extension of the deadline for filing and paying CIT, (iv) fast-tracking of VAT refunds to SMEs, (v) CIT and PIT payments based on current year transactions, (vi) PIT exemption for private school teachers and tourism and hotel employees earning less than RWF 150,000/month, and (vi) VAT exemption for locally produced masks. The 30-day maturity period for the public health insurance scheme premium was removed to expedite access to medical services and the salaries of top civil servants for the month of April was redirected to welfare programs.

Monetary and Macro-Financial Policies. On March 18, the central bank announced liquidity support measures: (i) an extended lending facility worth RWF 50 billion (0.5 percent of GDP) available to liquidity-constrained banks for the next six months. Under this facility, banks can borrow at the policy rate and benefit from longer maturity periods; (ii) Treasury bond purchases through the rediscount window for the next six months; and (iii) lowering of the reserve requirement ratio by 100 basis points, from 5 to 4 percent, effective from April 1. Loan repayment conditions were also eased for impacted borrowers, and charges on electronic money transactions waived for the next three months. On April 30, the central bank cut the policy rate by 50 basis points to 4.5 percent. Charges on electronic money transactions were reinstated on June 22. The central bank restricted dividend distribution by banks and insurers to preserve capital positions. It also issued guidelines to banks and microfinance institutions on the classification and provisioning of restructured loans.

Exchange Rate and Balance of Payments. No measures. The central bank remains committed to maintaining exchange rate flexibility and limiting foreign exchange market interventions to avoiding excessive exchange rate volatility.

SENEGAL : Key COVID-19 Policy Responses

Fiscal. The government implements a resilience package of up to 7 percent of GDP anchored in a revised budget. It consists of four main pillars: (i) improving the health system, (ii) strengthening social protection, (iii) stabilizing the economy and the financial system to support the private sector and employment, and (iv) securing supplies and distribution for key foodstuffs, medicine and energy products.
Health system: The government has allocated FCFA 78,7 billion (0.5 percent of GDP) to improve testing, treatment, and prevention.
Social protection: One million households receive food aid (FCFA 69 billion) and utility payments for (for water and electricity) for poorer customers were suspended for a 2-month period (FCFA 18,5 billion).
Stabilizing the economy: Hard-hit sectors such as tourism and transport will receive direct support of about FCFA 100 billion and access to additional financing through a credit guarantee fund totaling FCFA 200 billion. The government will contribute up to FCFA 100 billion to this fund. An expedited payment of unmet obligations helps further strengthen firms balance sheets (FCFA 200 billion instead of the FCFA 121 billion foreseen in the initial budget). On the tax side, the deadline for paying suspended tax obligations was extended from 12 to 24 months to improve the liquidity of firms.
The policy focus is shifting to supporting the nascent recovery and the government has revised their flagship national development strategy "Plan Senegal Emergent" to reflect lessons from the pandemic. This has resulted in a new action plan (PAP2A) with a renewed emphasis on reaching self-sufficiency and reduce the reliance on imports for food (notably rice), pharmaceutical products, and health services.

Monetary and Macro-Financial Policies. The regional central bank (BCEAO) for the West-African Economic and Monetary Union (WAEMU) has taken steps to better satisfy banks demand for liquidity and mitigate the negative impact of the pandemic on economic activity. The BCEAO adopted a full allotment strategy at a fixed rate of 2.5 percent (the minimum monetary policy rate) thereby allowing banks to satisfy their liquidity needs fully at a rate about 25 basis points lower than before the crisis. On June 22, the Monetary Policy Committee cut by 50 basis points the ceiling and the floor of the monetary policy corridor, to 4 and 2 percent respectively. The BCEAO has also: (i) extended the collateral framework to access central bank refinancing to include bank loans to prequalified 1,700 private companies; (ii) set-up a framework inviting banks and microfinance institutions to accommodate demands from customers with Covid19-related repayment difficulties to postpone for a 3 month renewable period debt service falling due, without the need to classify such postponed claims as non-performing; and (iii) introduced measures to promote the use of electronic payments. In addition, the BCEAO launched a special 3-month refinancing window at a fixed rate of 2.5 percent for limited amounts of 3-month "Covid-19 T-Bills" to be issued by each WAEMU sovereign to help meet immediate funding needs related to the current pandemic. The amount outstanding of such special T-Bills is equivalent to 1.3 percent of GDP. Senegal has been recently allowed to issue the equivalent of 0.7 percent of GDP of new 3-months Covid-19 T-Bills that may be refinanced by the BCEAO for their term to maturity at 2 percent. Finally, WAEMU authorities have extended by one year the five-year period initiated in 2018 for the transition to Basel II/III bank prudential requirements. In particular, the regulatory capital adequacy ratio will remain unchanged at end-2020 from its 2019 level of 9.5 percent, before gradually increasing to 11.5 percent by 2023 instead of 2022 as initially planned.

Exchange Rate and Balance of Payments. No measures.

TOGO : Key COVID-19 Policy Responses

Fiscal. The National Assembly has extended the state of health emergency for 6 months, until March 2021, and during this period the Government remains authorized to rule by decrees to accelerate the decision-making process. Togo was one of the first African countries to respond to the crisis, developing and quickly implementing the most urgent components of a comprehensive, multi-year response plan that aims to protect lives, livelihoods, and future growth prospects. This comprehensive economic and social resilience plan seeks to upgrade the health system, contain the economic fallout of the crisis, and provide targeted support to vulnerable households and firms. It is comprised of measures targeting:

Health: The state of health emergency declared on April 1 triggered the implementation of a set of containment and mitigation measures, including strengthening laboratory diagnostic capacity, equipping treatment centers, improving drug availability, and the launch of a vast program to rehabilitate hospitals and to provide health centers with standard infrastructure to screen and treat people with COVID-19. The authorities are projecting spending on containment and mitigation measures of CFAF 19 billion ($32 million; 0.4 percent of GDP) in 2020 and additional spending on construction of health centers and purchases of medical equipment of at least CFAF 33 billion ($59 million; 0.8 percent of GDP). In addition, imports of medical equipment and other products used exclusively in the fight against COVID-19 have been exonerated from taxes and duties at an estimated cost of CFAF 7 billion ($12 million; 0.2 percent of GDP).

Social objectives: A new mobile cash-transfer program, NOVISSI, aiming to support informal workers was launched in April. Eligible applicants receive a state grant of at least 30 percent of the minimum wage, with payouts from CFAF 10,500 ($18) to CFAF 20,000 ($34). Based on program data, 65 percent of the beneficiaries are women. The Novissi program was revised in late June with eligibility limited to workers in specific districts recording a high contagion rate. In total, 1.4 million individuals have registered and close to 600,000 have received a NOVISSI payment at a total cost of CFAF 11.7 billion ($21 million; 0.3 percent of GDP) so far. The Government did also subsidize water and electricity use for groups paying social tariffs for three months. The total cost is estimated at CFAF 3.8 billion ($6 million; 0.1 percent of GDP).

Economic recovery: The Government has adopted a series of tax policy and administrative measures to prepare the country for the future economic recovery, including: (i) all procedures for forced tax collections and ongoing tax prosecutions remain suspended during the state of emergency; (ii) the standard VAT rate of 18 percent has been reduced to 10 percent for firms in the hospitality and catering sectors; and (iii) tax audits and penalties for the late payment of taxes due in the second quarter of 2020 were suspended. In addition, submission deadlines for businesses that cannot submit their tax declarations on time have been rescheduled and small- and medium-sized enterprises are allowed to pay taxes in tranches and enjoy more flexibility regarding outstanding taxes due. Small-scale farmers have received vouchers for the purchase of inputs.

Financing for the response is severely constrained. Relative to the original budget for 2020, revenue collections are expected to fall by at least CFAF 94 billion ($170 million; 2.2 percent of GDP). The decline is attributed to both slower economic growth and tax measures in response to the pandemic. To meet these needs, the Government has established a national solidarity fund, to include contributions from the state budget, development partners, and voluntary donations from the private sector and the Togolese diaspora. The IMF has already provided significant financing, approving an ECF disbursement (with an augmented quota) of US$131 million, while bilateral donors have focused on providing project support. The solidarity fund is still underfinanced.

Heads of states of the West-Africa Economic and Monetary Union (WAEMU) have declared a temporary suspension of the WAEMU growth and stability pact (setting six convergence criteria, including the 3 percent of GDP fiscal deficit limit) to help member-countries cope with the fallout of the Covid-19 pandemic. As a result, member countries are allowed to raise their overall fiscal deficit temporarily and use any additional external support provided by donors in response to the Covid-19 crisis. The declaration by the heads of states sets a clear expectation that fiscal consolidation will resume once the crisis is over.

Monetary and Macro-Financial Policies. The regional central bank (BCEAO) for the West-African Economic and Monetary Union (WAEMU) has taken steps to better satisfy banks' demand for liquidity and mitigate the negative impact of the pandemic on economic activity. The BCEAO adopted of a full allotment strategy at a fixed rate of 2.5 percent (the minimum policy rate) thereby allowing banks to satisfy their liquidity

needs fully at rate about 25 basis points lower than before the crisis. On June 22, the Monetary Policy Committee cut by 50 basis points the ceiling and the floor of the monetary policy corridor, to 4 and 2 percent respectively. The BCEAO has also announced: (i) an extension of the collateral framework to access central bank refinancing to include bank loans to prequalified 1,700 private companies; (ii) a framework inviting banks and microfinance institutions to accommodate demands from customers with Covid19-related repayment difficulties to postpone for a 3 month renewable period debt service falling due, without the need to classify such postponed claims as non performing; and (iii) measures to promote the use of electronic payments. In addition, the BCEAO launched a special 3-month refinancing window at a fixed rate of 2.5 percent for limited amounts of 3-month "Covid-19 T-Bills" to be issued by each WAEMU sovereign to help meet immediate funding needs related to the current pandemic. The amount of such special T-Bills issued by Togo was the equivalent of 3.2 percent of GDP. When the special T-Bills matured in August, Togo was allowed to issue the equivalent of 2.1 percent of GDP of new 3-months Covid-19 T-Bills that banks may refinance with the BCEAO for their term to maturity at 2 percent. Finally, WAEMU authorities have extended by one year the five-year period initiated in 2018 for the transition to Basle II/III bank prudential requirements. In particular, the regulatory capital adequacy ratio will remain unchanged at end-2020 from its 2019 level of 9.5 percent, before gradually increasing to 11.5 percent by 2023 instead of 2022 as initially planned.
Exchange Rate and Balance of Payments. No measures.

TUNISIA : Key COVID-19 Policy Responses
Fiscal. A TND 2.5 billion emergency plan ($0.71 billion or 1.8 percent of GDP) was announced on March 21. The package includes delays in the payment of CIT and other taxes and social contributions; VAT exemptions; the acceleration of VAT refund procedures; the rescheduling taxes and custom arrears; and liquidity easing measures for the private sector, in order to limit layoffs and protect the most vulnerable, especially in the informal sector. The plan also includes an expansion of the budget allocation for health expenses and the creation of a TND 100 million fund for public hospitals to purchase equipment. On the social side, the package included cash transfers for low income households and for disabled and homeless people (TND 450 million for three months). The plan also includes a support for temporary unemployed because of the COVID-19 shock (TND 300 million).
Monetary and Macro-Financial Policies. The CBT reduced its policy rate in March by 100 bps. On March 20, the CBT announced a package to support the private sector, requesting banks to defer payments on existing loans and suspend any fees for electronic payments and withdrawals. The central bank asked banks to postpone credit reimbursement by employees for a period of 3 to 6 months, depending on the net revenue level. Besides, the government announced a set of financial measures including the creation of investment funds (TND 600 million), a state guarantee for new credits (TND 500 million), the activation of a mechanism for the state to cover the difference between the policy rate and the effective interest rate on investment loans (capped at 3 percentage points). On October 5th, 2020, The CBT decided an additional 50 bps cut in the policy rate. Furthermore, The CBT has also decided to extend the deferral of loan repayments for the tourism sector hardly hit by the crisis to September 2021.
Exchange Rate and Balance of Payments. No measures.