African Economic Outlook 2020

SUPPLEMENT

Amid COVID-19

AFRICAN DEVELOPMENT BANK GROUP

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HIGHLIGHTS

MACROECONOMIC PERFORMANCE AND PROSPECTS

Africa's economic prospects are weak

Real GDP in Africa is projected to contract by 1.7 percent in 2020, dropping by 5.6 percentage points from the January 2020 pre-COVID–19 projection, if the virus has a substantial impact but of short duration. If it continues beyond the first half of 2020, there would be a deeper GDP contraction in 2020 of 3.4 percent, down by 7.3 percentage points from the growth projected before the outbreak of COVID–19.

Cumulatively, GDP losses could range between $173.1 billion and $236.7 billion in 2020–2021

With the projected contraction of growth, Africa could suffer GDP losses in 2020 between $145.5 billion (baseline) and $189.7 billion (worst case), from the pre-COVID–19 estimated GDP of $2.59 trillion for 2020. Some losses are carried over to 2021, as the projected recovery would be partial. For 2021, the projected GDP losses could be from $27.6 billion (baseline) up to $47 billion (worst case) from the potential GDP of $2.76 trillion without the pandemic.

The most affected economies are those with poor healthcare systems, those that rely heavily on tourism, international trade, and commodity exports, and those with high debt burdens and high dependence on volatile international financial flows. The overall impact of the pandemic on socioeconomic outcomes remains uncertain, however. It will depend crucially on the unfolding epidemiology of the virus, the extent of its impacts on demand and supply, the effectiveness of public policy responses, and the persistence of behavioral changes.

The pandemic has triggered a sudden uptick in inflation

The pandemic has already triggered an increase in inflation in the continent, in some cases by more than 5 percent in the first quarter of 2020. This has mainly been caused by disruptions in the supply of food and energy, the bulk of which are imported. But for many other countries, the drastic fall in aggregate demand due to the lockdown and other containment measures has eased inflationary pressures, especially among non-resource-intensive economies. Overall, although headline inflation, which includes food and basic energy prices, would be expected to rise, core inflation might remain stable until demand picks up after the pandemic.

Expansionary fiscal spending could double already high fiscal deficits

The pandemic and its economic consequences are expected to trigger expansionary fiscal policy responses across all categories of economies in Africa. The implied expansionary fiscal stance would further widen fiscal deficits in the continent. In 2020, deficits are projected to

increase twofold, to 8 percent of GDP, in the baseline scenario, and to go as high as 9 percent in the worst-case scenario. This worsening fiscal position would be the result of above-the-line increases in budgetary outlays on COVID–19 related health spending, unemployment benefits, targeted wage subsidies and direct transfers, and tax cuts and deferrals.

COVID–19 will add to sovereign debt burdens

COVID–19 heightens the likelihood of a widespread and far-reaching sovereign debt crisis if debt is not properly managed. Many countries in Africa entered the crisis period with high debt-to-GDP ratios, which are projected to increase further by up to 10 percentage points beyond the pre-COVID trajectory in 2020 and 2021. The sovereign debt buildup is particularly worrisome because of its changing risk structure in Africa as a result of the increasing share of commercial debt—eurobonds and other private creditors—and the high foreign currency denomination of Africa's debt.

The spread of the virus in Africa depends largely on the preparedness of countries to separate and treat infected patients

Remittances and foreign direct investment could plunge

Remittances took the lead in external financing, up by 7 percent from 2017, to $82.8 billion in 2018, and increasing further to $86.2 billion in 2019 on the back of a pickup in global economic growth and rising migration. This has become a vital source of foreign financing for many African economies, accounting for more than 10 percent of GDP of Cabo Verde, Comoros, Gambia, Lesotho, Liberia, and Senegal. In turn, these countries have become exceptionally vulnerable to shocks to remittances caused by COVID–19, especially in high-income economies where migrant jobs and incomes are threatened.

Foreign direct investment—which picked up in 2018 by 10.9 percent, reaching $45.9 billion, and improved further to an estimated $49 billion in 2019—is also expected to fall in 2020 as investors reduce or postpone their investments amid uncertainties. Official development assistance, which has risen since 2016 (by 1.2 percent in 2018), could be constrained by the impact of the crisis on advanced economies. And portfolio flows, which have declined since 2017, standing at $27.1 billion in 2019 for Africa, are experiencing severe pressures as emerging market capital flows suddenly stop, with forecasts predicting a fall of more than 50 percent in 2020, driven by the COVID–19 shock to global growth and a more risk-averse sentiment among investors.

SOCIOECONOMIC IMPACTS

The curve of the pandemic in Africa is flattening gradually

The number of confirmed cases of COVID–19 in 54 African countries was 304,642 with 8,087 reported deaths as of 22 June 2020. The reported figures are likely to be understated because of the limited testing capabilities in most countries. Countries in North Africa and Southern Africa appear to be the most affected to date, while the number of cases reported in East, Central, and West Africa have been lower. Still, the differences could be due to lags in testing or differences in mitigation approaches.

Africa is inadequately prepared to contain the spread of the coronavirus

The spread of the virus in Africa depends largely on the preparedness of countries to separate and treat infected patients, posing a major risk of a public health emergency because of the region's high vulnerability to disease and low healthcare system preparedness. The Global Health Security Index, a comprehensive assessment of a country's health system capabilities, shows that most African countries are rated as least prepared. Only 21 of 54 African countries are classified as being more prepared from a clinical perspective to deal with epidemic threats with international implications. The other 33 are ill-equipped and least-prepared to respond to the outbreak.

Between 28.2 and 49.2 million more Africans could be pushed into extreme poverty

Although the number of people in extreme poverty in Africa (using the $1.90 international poverty line) was projected to reach 425.2 million in 2020 under the no-outbreak scenario, COVID–19 could increase it further, to 453.4 million in the baseline

scenario and 462.7 million under the worst-case scenario. In 2021, the number of extreme poor could increase by 34–49.2 million due to the pandemic as GDP growth continues to fall below population growth rates. Nigeria and Democratic Republic of Congo, two of Africa's most populous countries, would record the largest increases—8.5 and 2.7 million respectively in the baseline scenario in 2020, and 11.5 and 3.4 million in the worst-case scenario.

An estimated 25 to 30 million jobs could be lost

About 773.4 million Africans were employed in 2019, projected under the pre-COVID–19 assumptions to grow to 792.7 million in 2020. Under the baseline scenario of a 1.7 percent GDP contraction, employment is projected to decline by 24.6 million jobs in 2020. Under the worst-case scenario of a 3.4 percent GDP contraction, up to 30 million jobs could be lost. The brunt will be mostly felt by the working poor, who account for almost half of the employed. And the crisis would also affect the nature of surviving jobs, since wages and working hours for those in the formal sector could be downgraded, and the number of workers switching to informal sector jobs could increase as a survival strategy to maintain incomes in the face of lockdowns and restrictions.

POLICY OPTIONS

Given the global scale of the COVID–19 pandemic and its repercussions, governments and development partners must respond in a coordinated, targeted, and rapid manner to be effective in limiting its impacts. Across Africa, the response must be well-sequenced and multipronged, involving: a public health response to contain the spread of the virus and minimize fatalities, a monetary policy response to ease liquidity constraints and solvency risks, a fiscal response to cushion the economic impacts of the pandemic on livelihoods and to assist businesses, labor market policies to protect workers and their jobs, and structural policies to enable African economies to rebuild and enhance their resilience to future shocks.

Public health responses

The spread of the virus in Africa depends largely on the preparedness of countries to separate and treat infected patients.

Develop effective information sharing and communication strategies. Early dissemination of accurate information on the coronavirus symptoms, prevention, and treatment can contain its spread and reduce public panic and misinformation. Strategic partnerships with the private sector, especially telecommunication firms, can ensure rapid collection and transmission of information for resource planning and testing campaigns.

Redirect resources to the public health sector and develop sound health emergency plans. In the short run, African countries should tap into existing resources to invest in health infrastructure for detecting, testing, confining, and treating COVID–19 infected people.

Invest in health preparedness to update and upgrade healthcare systems. In the long run, large investments in health preparedness are required to update and upgrade Africa's health care systems. The COVID–19 pandemic should be a wake-up call for African countries to urgently strengthen their health systems and build their resilience against future shocks.

Increase the number of healthcare workers. Africa's education systems must change to prioritize public health curricula and improve the quality of the programs offered to students.

Elevate the health system among development priorities. Allocating more financial resources to the health system will be fundamental to remedying the structural underinvestment. The health sector would need to become a top priority of African governments in their development agenda, or else the continent will remain unprepared to respond to future health shocks and mitigate their economic impact.

Fiscal policy responses

Governments with fiscal space can help the businesses and households most affected stay afloat through targeted temporary tax relief, cash

Governments and development partners must respond in a coordinated, targeted, and rapid manner, limiting the pandemic's impacts

transfers, and hardship allowances. Governments can support those who have been laid off from their jobs or lost their livelihoods with measures such as:

- Cash transfers, extension of the period for filing taxes for affected businesses, or temporary subsidies to affected industries.
- Temporary extension of eligibility and coverage of social safety net programs such as unemployment insurance and social security in countries with relatively well-functioning social protection programs.
- Relief assistance such as food (rations or vouchers) for low-income households in coordination with mechanisms such as those utilized by nongovernmental organizations.

Governments should address structural bottlenecks that make the continent more vulnerable to future shocks

Monetary policy responses

Businesses report higher costs of borrowing as banks suspect that firms may not repay loans on time.

Ease financial conditions. Central banks should act quickly to counteract tightening financial conditions by cutting interest rates to inject liquidity. Targeted interventions should be implemented for affected firms and sectors.

Use macroprudential and unconventional monetary policy to support the economy. Central banks could resort to their own forms of quantitative easing, targeted at funding the most affected sectors such as firms in the hospitality and entertainment industry—airlines, hotel chains, logistics, and sports—by temporarily reprofiling or restructuring their debts. To support vulnerable groups, a program could be targeted to micro enterprises and the unbanked in the informal sector, financed by government and potentially run by other agencies closer to the ground.

Labor market responses

The impact of COVID–19 on Africa's labor markets will have disproportionate impacts on vulnerable groups, notably youth and women, who are engaged in the informal sector, or with only casual job opportunities in the formal sector.

Assist vulnerable groups, especially youth and women. The COVID–19 pandemic can have differentiated socioeconomic impacts due to the vulnerability of people. This situation requires carefully designed policies targeting people in vulnerable situations:

- For formal sector workers, governments could defer payroll taxes for small and medium enterprises (a third of them being owned by women) or create mechanisms for facilitating commercial credit lines that would be publicly funded.
- For workers in the informal sector, an option is to provide cash transfers by using digital technology tools such as mobile money transfer, but also by proceeding to the distribution of food staples, water, and hygiene products that may reach them faster, particularly if they are not digitally connected.
- Short-term incentives to healthcare and social workers such as bonuses, and in the medium-to-long term measures to address the gender pay gap.

Pursue active labor market policies to protect workers and their jobs. Governments should protect workers by encouraging flexible working arrangements such as teleworking and by providing employment retention guarantees, collectively financed paid sick leave, and parental care leave to ensure income security for those who are sick, quarantined, or caring for children. They should extend universal access to collectively financed health services for all, including informal, unemployed, and uninsured workers and their families.

Structural policies

To prepare for a post-COVID–19 world and greatly increase resilience, governments should address structural bottlenecks that make the continent more vulnerable to future shocks. The policies they put in place in the aftermath of the epidemic will determine their long-term economic trajectories.

Accelerate structural reforms to rebuild Africa's productive base. Increasing productivity and addressing obstacles in the business environment requires investing in human capital to build a workforce with the skills for engineering, manufacturing, and construction. Sectors such as agro-processing, digital technologies, ICT-based

services, and trade logistics require government intervention to improve their competitiveness.

Address obstacles to formalizing the economy. Easing business registration and adapting tax can encourage informal businesses that now shy away from formalization because they fear being overwhelmed by administrative requirement and large tax bills. Aggressive information campaigns can highlight the benefits of formalization, such as access to capital and greater opportunity to expand operations and boost profits.

Rethink social protection programs for maximum coverage. Reform requires innovative approaches that are flexible and adapted to the needs of informal workers, such as allowing workers to contribute voluntarily to a retirement fund.

Balancing tradeoffs on when to reopen economies

Policymakers must evaluate the tradeoffs they face between reopening economies and keeping the coronavirus in check. The aim is to limit both the economic cost of severe lockdowns and the number of cases, a dilemma. One approach is a more targeted set of measures, such as identifying and protecting people with underlying conditions, and thus with a higher risk of complications from the coronavirus, and those aged above 65 years old—and restricting their mobility during the initial stages of reopening economies.

The recovery is likely to be volatile and uneven, requiring governments to follow a carefully planned and sequenced adaptive strategy that allows for continual adjustment, as new information becomes available and events unfold. Relevant lessons may come from other continents, particularly from those at a more advanced stage of the pandemic timeline. To reopen economies, policymakers must first outline their strategy on the basis of a consistent national framework with effective local implementation and manage associated uncertainty and fears of the public. That requires transparency to build public trust and buy-in for the strategy, especially since the probability of a rebound is likely with the economies reopening.

To reopen economies, policymakers must first outline their strategy on the basis of a consistent national framework

AFRICA'S ECONOMIC PERFORMANCE AND OUTLOOK AMID COVID–19

KEY MESSAGES

- **The COVID–19 pandemic, if not addressed expeditiously, poses a high risk for the onset of a major humanitarian and public health disaster for Africa.** With new cases of the virus infection doubling every 7 to 14 days for most countries in Africa, and with 33 of the countries having very low health system preparedness to face the pandemic, its impact threatens to upend the continent's recent development trajectory and will require the undivided attention of African governments and the international community.
- **As a result of the pandemic, Africa's GDP is projected to contract in 2020 by 1.7 percent in the baseline scenario, which assumes a substantial impact of the virus but over a short duration.** In the worst-case scenario, which considers a virulent impact of the virus over a longer duration (the pandemic continues beyond the first half of 2020), GDP would fall by 3.4 percent. A partial recovery of about 3 percent is projected for 2021. But the projected recovery in 2021 would not make up for an estimated cumulative loss to Africa's GDP of $173.1–$236.7 billion for 2020 and 2021 due to the pandemic.
- **Significant variations in the economic impacts of COVID–19 are expected across African countries, depending on their sectoral structure and initial conditions.** Tourism-dependent, oil-exporter, and other resource-intensive economies are expected to be hardest hit due to the worldwide travel restrictions and the collapse of commodity demand and prices, notably for oil. For countries in these groups, growth in 2020 is expected to contract, on average by more than 4 percentage points. Less resource-intensive economies, thanks to more diversified economic structures, are expected to be more resilient to the shock.
- **Fiscal deficits are projected to double, and debt levels to increase by an additional 10 percentage points of GDP.** Thus, the pandemic would create an additional public sector financing gap of $122 billion. However, the tightening of global financial markets has been reflected in flight-to-safety trends that have drained liquidity from emerging markets—and in sharp declines in foreign direct investment, remittances, and portfolio flows.
- **An additional 28.2 to 49.2 million Africans could be pushed into extreme poverty as an estimated 24.6 to 30 million jobs could be lost due to the pandemic.** The direct impact of the pandemic on more than 23 million already vulnerable workers in Africa would drive the total number of people living in extreme poverty to 463 million in the worst-case scenario as unemployment levels jump.
- **Given the global scale of the pandemic, governments and development partners must respond in a manner that is coordinated, targeted, and rapid using all available policy levers.** These levers include (i) a well-targeted public health response to contain the spread of the virus and minimize fatalities, (ii) a monetary policy response to ease liquidity constraints and solvency risks, (iii) a fiscal response to cushion the economic impacts of the virus and to protect vulnerable groups, (iv) labor market policies to protect workers and their jobs, and (v) structural policies to prepare for a post-COVID–19 world and build resilience to future shocks.
- **To reopen economies, policymakers need to follow a phased and incremental approach that carefully evaluates the tradeoffs between restarting economic activity too quickly and safeguarding the health of the population.** Economic activities can be restarted incrementally on the basis of the transmission risks of different sectors. Businesses considered as having low-to-medium transmission risks—such as manufacturing, construction, and some retail services—can be reopened first. Next, governments should observe whether there is a rebound of cases of infection before proceeding to reopen economic activities considered to have high transmission risks, such as hotels, schools, restaurants, and sports and entertainment venues.

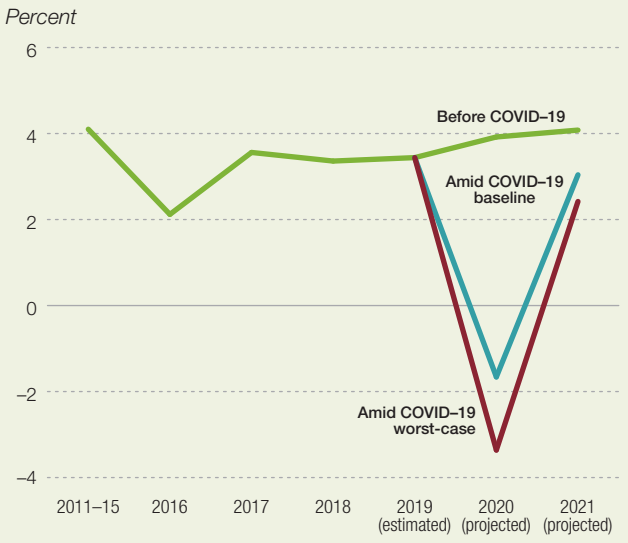
1 MACROECONOMIC PERFORMANCE AND PROSPECTS

AFRICA'S ECONOMIC PROSPECTS AMID THE COVID–19 PANDEMIC ARE WEAK

With the projected contraction of growth, Africa could suffer GDP losses in 2020 between $145.5 billion and $189.7 billion

The coronavirus pandemic (COVID–19) has reversed the strong growth projections reported earlier in the 2020 *African Economic Outlook*.[1] This has necessitated revisions of the growth projections and outlook for Africa for 2020 and 2021, accounting for the impact of the COVID–19 pandemic on Africa's socioeconomic landscape. Uncertainty is heightened by the epidemiology of the virus and the various containment policies adopted by African governments. Due to the fluidity of the pandemic, two possible scenarios are considered: the baseline assumes that the virus has a substantial impact but of shorter duration, and the worst-case assumes a virulent impact of the virus over a longer duration with the pandemic continuing beyond the first half of 2020 (see the annex for details).

FIGURE 1.1 Africa's GDP is projected to contract amid COVID–19



Source: African Development Bank statistics.

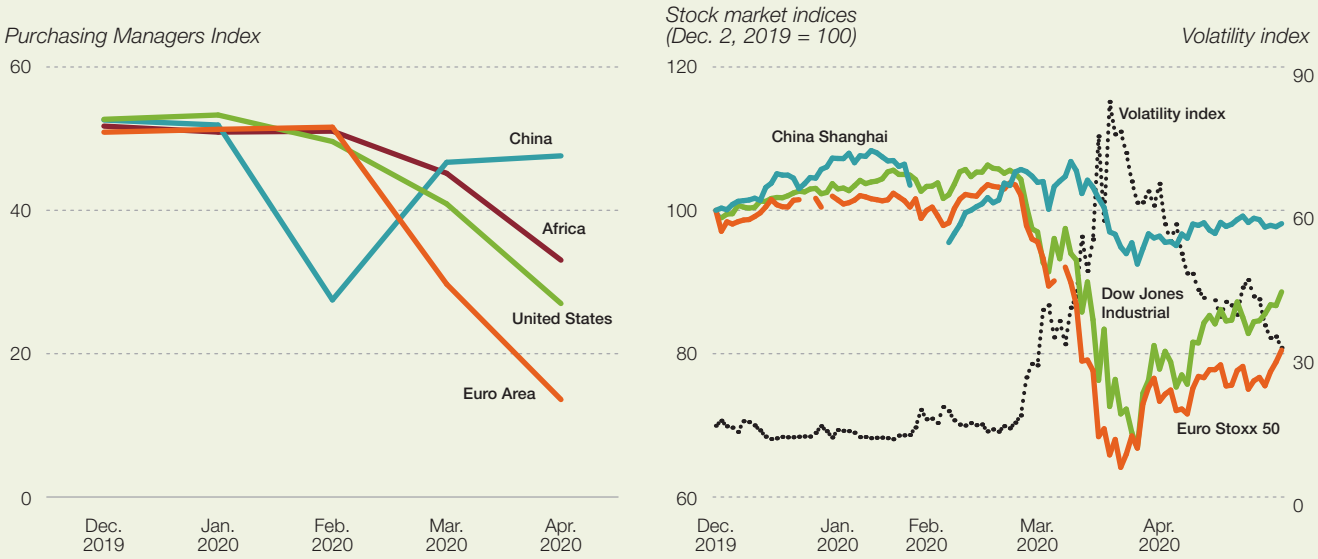
Under the baseline scenario, real GDP in Africa is projected to contract by 1.7 percent in 2020, corressponding to a GDP drop of 5.6 percentage points from the January 2020 pre-COVID–19 projection (figure 1.1). In the worst-case scenario, if the pandemic continues beyond the first half of 2020, there would be a deeper GDP contraction in 2020 of 3.4 percent, down by 7.3 percentage points from the growth rate of 3.9 percent projected before the onset of COVID–19.

With the projected contraction of growth, Africa could suffer GDP losses in 2020 between $145.5 billion (baseline) and $189.7 billion (worst case), from the pre-COVID–19 estimated GDP of $2.59 trillion for 2020. Some losses are carried over to 2021, because the projected recovery would only be partial. For 2021, the projected GDP losses could range from $27.6 billion (baseline) up to $47 billion (worst case) from the potential GDP of $2.76 trillion without the pandemic. Cumulatively, COVID–19 could potentially lead to GDP losses in 2020–21 to the tune of $173.1 billion (baseline) or $236.7 billion (worst case) in current value terms.

The most affected economies on the continent are projected to be those with poor healthcare systems, those that rely heavily on tourism, international trade, and commodity exports, and those with high debt burdens and high dependence on volatile international financial flows. The overall impact of the pandemic on socioeconomic outcomes, however, remains uncertain. It will depend crucially on the unfolding epidemiology of the virus, the extent of its impacts on demand and supply, the effectiveness of public policy responses, and the persistence of behavioral changes.

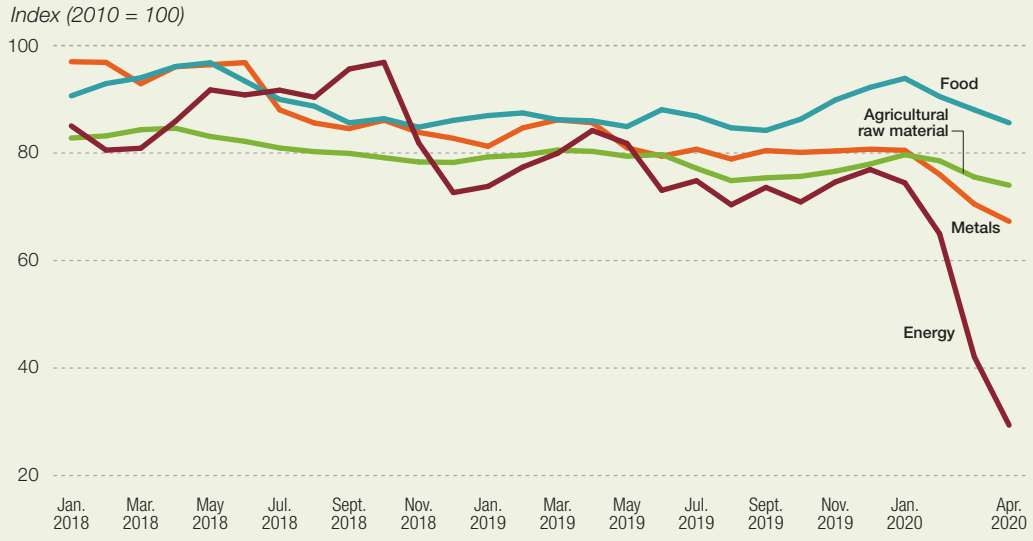
The downward growth revision for Africa primarily reflects the consequences of the COVID–19 pandemic and the associated ripple effects on other aspects of the global and domestic economic environments. Global GDP is projected to fall to –3.0 percent in 2020, compared with the pre-COVID–19 growth projection of 2.9 percent.[2] Indicators of business confidence around the

FIGURE 1.2 Stock and commodity indices have retreated more than half from their January opening values



Note: Africa Purchasing Managers Index (PMI) is the average of Egypt, Ghana, Kenya, Mozambique, Nigeria, South Africa, Uganda, and Zambia. The PMI, used as a leading indicator of economic activity, is based on survey responses from the private sector on expectations of current and future business conditions. Stock market indices are as of 29 April 2020. Newer data are not available.
Source: African Development Bank statistics, Caixin Media, IHS Markit economics, Standard Bank, and Stanbic Bank.

FIGURE 1.3 Trends in major commodity price indices for African products, January 2018–April 2020



Source: African Development Bank statistics and World Bank commodity price database.

world, such as the Industrial Production Index and the Purchasing Managers Index (PMI), especially for Africa's major trading partners, have fallen below the 50-point mark that separates growth from contraction, with a recent sharp recovery in China (figure 1.2, left panel). Stock and commodity indices—especially for energy and metals, two of Africa's major export categories—have declined by more than 50 percent from their opening values in January 2020 (figure 1.3). Oil prices could remain subdued if the production cut agreements among the OPEC and other oil-exporting countries (primarily Russia) are not adhered to.

Rising volatility in global financial markets also implies tighter financing conditions for Africa. The VIX volatility index, a measure of global market risk and investor sentiment, has increased sharply since February 2020 (see figure 1.2, right panel). Incoming data show that since the beginning of the crisis, there has been a considerable flight to safety by investors in emerging and developing countries, reaching record levels of over $90 billion.[3]

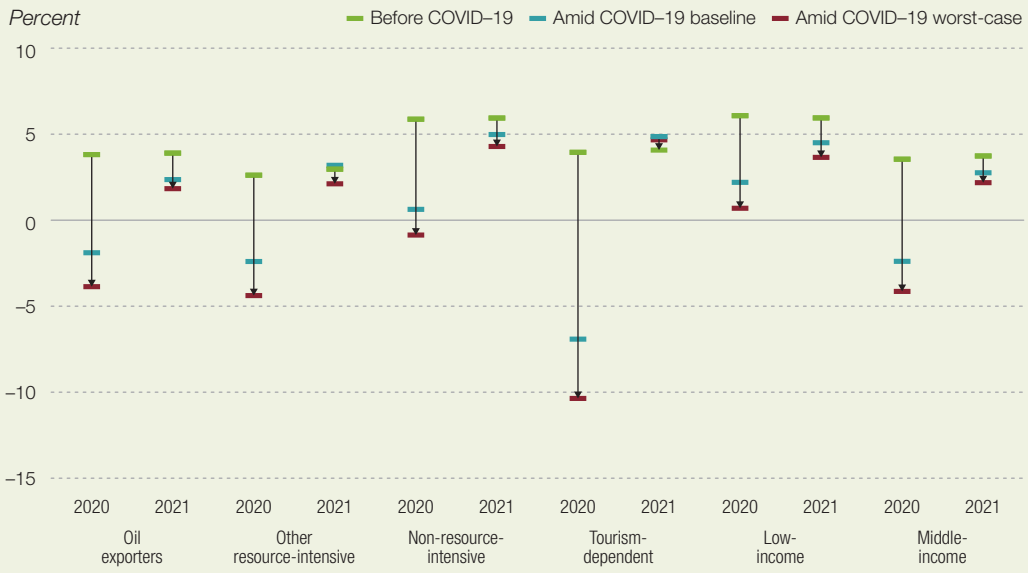
In addition to the pandemic and the challenging external environment, some domestic factors confound the situation, including weak health care systems (box 1.1), coupled with limited coverage of social protection mechanisms. And some countries entered the crisis with pre-existing fiscal vulnerabilities arising from high debt and low revenue collection, weak external positions, and limited reserve buffers. The recent invasion of desert locust swarms in East Africa (Locust–19) is devastating agriculture. These adverse domestic and external environments will once again test Africa's resilience, demonstrated during the recent Ebola and global financial crises.

Some domestic factors confound the situation, including weak health care systems, coupled with limited coverage of social protection mechanisms

GROWTH IS PROJECTED TO REVERSE SHARPLY FOR ALL ECONOMIC GROUPS, BUT WITH MAJOR VARIATIONS

The overall projected decline in Africa's growth masks major variations across country groupings and regions (figure 1.4). Oil-exporting economies such as Algeria (–4.4 percent), Angola (–3.1 percent), Equatorial Guinea (–9.2 percent), Libya (–25.4 percent), and Nigeria (–4.4 percent), and other resource-intensive economies, such as

FIGURE 1.4 Growth contractions vary across groups of economies



Note: See annex for country groupings.
Source: African Development Bank statistics.

BOX 1.1 The state of Africa's healthcare systems

The current coronavirus pandemic has laid bare the parlous nature of Africa's healthcare systems and their lack of preparedness to address a pandemic such as COVID–19. It calls for urgent reform to healthcare systems and delivery, including financing.

First, there is an acute shortage of healthcare workers in most African countries, severely limiting their capacity to respond effectively to the COVID–19 pandemic. While the World Health Organization (WHO) recommends at least 100 physicians per 100,000 people to ensure adequate coverage at the primary care level, only Libya, Mauritius, and Tunisia met the target by 2017. Burkina Faso, Burundi, Central African Republic, Liberia, and Mozambique had fewer than 10 physicians per 100,000 people.[1] Second, the latest available data suggest that more than 20 countries have less than one hospital bed per 1,000 people, including Angola, Ethiopia, Ghana, Nigeria, Senegal, and Tanzania.[2] While Africa carries a high disease burden, owing not least to its tropical location, its pharmaceutical industry manufactures less than 2 percent of the medicines consumed on the continent.[3]

One of the main reasons for the current state of Africa's health systems is the small budgets allocated to the public health sector. In 2001, African countries agreed in the Abuja Declaration to devote at least 15 percent of their national budgets to healthcare systems. Several decades later only six countries (Botswana, Burkina Faso, Malawi, Niger, Rwanda, and Zambia) have met the budget commitment.[3] In 2017, total health expenditures represented 6.3 percent of Africa's GDP, against the world average of 9.9 percent: 6.6 percent in East Asia and the Pacific, 8.1 percent in Latin American and the Caribbean, and 16.6 percent in North America. Of 52 African countries with available data in 2017, 34 did not meet the WHO recommended level ($86) of per capita public health expenditure.

As a result of low public health spending, out-of-pocket expenses for healthcare have escalated, with many poor households exiting the modern health sector altogether, while others sink deeper into poverty due to lack of treatment or increased indebtedness. In addition, many health outcomes (infant and maternal mortality, stunting, and HIV) have not sufficiently improved in Africa or caught up with other regions of the world.

Another reason for the state of healthcare in Africa is the low enrollment rates in health education programs in many countries, which worsen the shortage of healthcare workers. Available data suggest that the percentage of African students enrolled in health and welfare programs ranged from 0.4 percent in Burkina Faso in 2017 to 2 percent in Congo, 3.2 percent in Morocco, 10.1 percent in Lesotho, and 12.1 percent in Seychelles.[4] In addition, students who graduate from health programs often do not end up in the public health sector and take other forms of employment due to unattractive salaries compared with the private sector, a shortage of training programs, or the poor quality of most public primary care facilities.

Notes

1. AfDB 2020b.
2. WHO 2020d.
3. UN 2017.
4. UIS 2020.

Botswana (–5.5 percent), South Africa (–6.3 percent), and Zambia (–4 percent) are expected to witness the sharpest declines in projected growth in the baseline and worst-case scenarios. Tourism-dependent economies such as Mauritius (–7.5 percent), São Tomé and Príncipe (–6.1 percent), and Seychelles (–10.5 percent) are projected to be the most severely affected. These growth

reversals mainly reflect the freeze in tourism, the plunge in external demand for primary commodities, the decline in commodity prices, and the associated loss of revenues.

Growth is expected to be more resilient in non-resource-intensive economies such as Côte d'Ivoire (3.0 percent), Ethiopia (3.1 percent), Kenya (1.4 percent), and Senegal (2.8 percent). Non-resource-intensive economies are collectively projected to grow at 0.6 percent in the baseline scenario but fall into a recession of –0.9 percent in the worst-case scenario for 2020. Most of the countries in this group entered the crisis with very strong average growth rates above 5.6 percent in 2019. Their resilience, anchored on diversified economic structures and strong public investment drives, is being tested by the disruptions in supply chains and the locust invasion, which has greatly disrupted agricultural production in some of the countries.

Growth is expected to be more resilient in non-resource-intensive economies

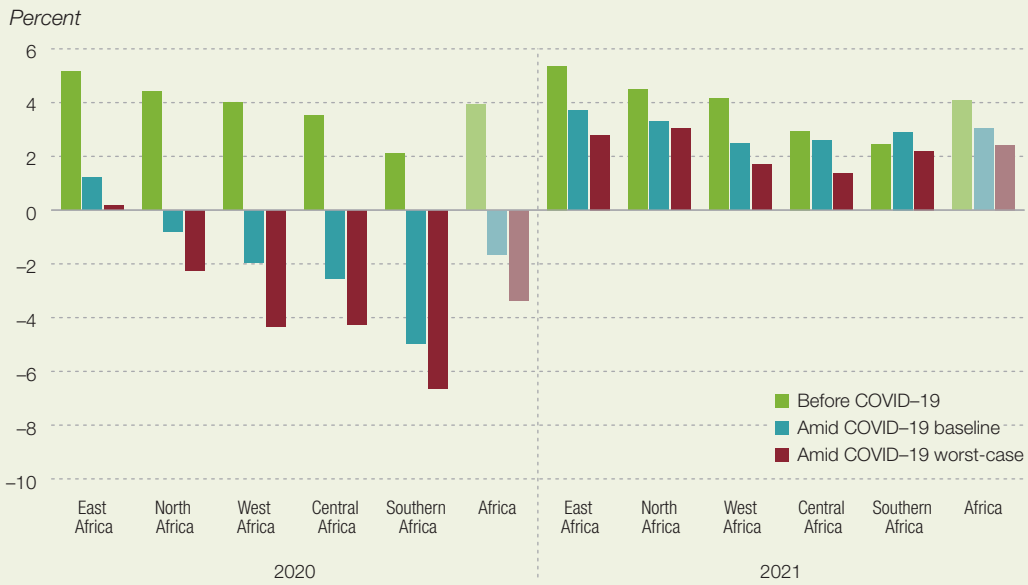
Growth in low-income countries is projected to be more resilient than growth in middle-income countries. Growth in low-income countries is projected to drop by 3.9 percentage points, from 6.1 percent to 2.2 percent in the baseline scenario, but could slide into recession in the worst-case scenario (see figure 1.4). Growth in middle-income countries, dragged down primarily by Nigeria and South Africa, is projected to drop by 5.9 percentage points, contracting to –2.4 percent from an earlier projection of 3.5 percent in 2020.

Regionally, East Africa is projected to have the most resilient performance amid the pandemic, entering the crisis with strong growth of 5.2 percent in 2019. In the baseline scenario, growth is projected to be 1.2 percent in 2020, and in the worst-case scenario, 0.2 percent. The region is better shielded by its wider diversification and its lower reliance on primary commodities.

All other regions experience negative growth in the baseline and worst-case scenarios (figure 1.5). Southern Africa is the region affected most, with growth projected at –4.9 percent in the baseline case, mainly driven by the deep recession in South Africa induced by a fall in commodity prices, the containment measures, weather-related events, and the structural issues related to public utilities.

GDP growth in West Africa is projected to contract to 2.0 percent in 2020, dropping 6 percentage points in the baseline scenario from the 4 percent growth projected in the pre-COVID–19 outlook. The countries most affected are Nigeria (–4.4 percent) due to the fall in oil prices and to containment

FIGURE 1.5 Growth's decline and recovery vary across regions



Source: African Development Bank statistics.

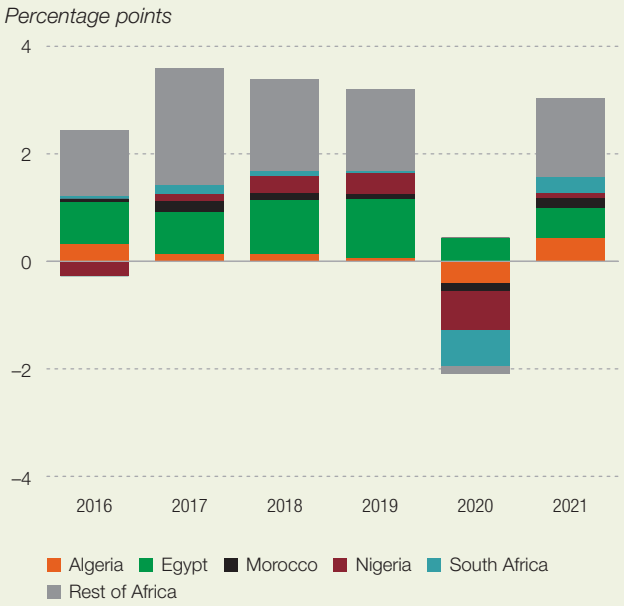
measures, Cabo Verde (–4 percent) due to the cessation of tourism, and Liberia (–2.5 percent) due to the crash in export demand and timber prices.

In Central Africa, economic activity is expected to contract by 2.5 percent. The forecast is driven largely by the more than 9 percent contraction in Equatorial Guinea and contractions in the Democratic Republic of Congo and Gabon, all oil exporters that will be hurt by the collapse in oil prices.

GDP in North Africa is projected to contract to –0.8 percent, down by 5.2 percentage points from the 4.4 percent growth projection in the pre-COVID–19 outlook. Apart from Egypt (2.2 percent) —which has a different calender year and depends on several economic sectors, had robust foreign exchange buffers, and was implementing strong economic reforms prior to the crisis—all the countries in the region are projected to fall into recession in 2020, with Libya (–25.4 percent) and Algeria (–4.4 percent) falling farthest due to their exposure to oil price fluctuations, while Tunisia (–3.4 percent) and Morocco (–3.3) will be affected by the fall in tourism.

Africa's five largest economies—Algeria, Egypt, Morocco, Nigeria, and South Africa—account for a large portion of the recession in the continent. The projected recessions in Nigeria and South Africa alone account for more than half of the contraction in 2020 (figure 1.6). The overall contraction would have been deeper if not for the counteracting effect of Egypt, which is projected to maintain a growth of 2.2 percent in the baseline scenario, and other non-resource-intensive economies such as Rwanda (4.2 percent) and Senegal (2.8 percent).

FIGURE 1.6 Growth's contraction is primarily driven by the five largest economies



Source: African Development Bank statistics.

THE OUTLOOK FOR RECOVERY REMAINS UNCERTAIN AND VULNERABLE TO COVID–19, LOCUST–19, AND OTHER COMPOUNDING FACTORS

The outlook for Africa's recovery in the short and medium term remains uncertain and susceptible to the immediate and long-term consequences of the COVID–19 pandemic. Africa's growth is projected to rebound in 2021 to 3.0 percent in the baseline scenario and 2.4 percent in the worst-case scenario (figure 1.5). This V-shaped recovery would only be partial since sectors such as tourism, transportation, and entertainment may take longer to fully recover as people gradually readjust to the new normal in social interactions. But the projected recovery in 2021 would not make up for an estimated cumulative loss to Africa's GDP of $173.1–$236.7 billion for 2020 and 2021 due to the pandemic.

V-shaped recovery would only be partial since sectors such as tourism, transportation, and entertainment may take longer to fully recover

The outlook faces major downside risks arising from external and domestic factors. The risks of continued widespread contagion and a second phase of the COVID–19 infection—and thus continued restrictions such as physical distancing, lockdowns, and quarantines—persist. Other risks include subdued commodity prices, notably for oil; tight and volatile global financial conditions; potential social unrest, insurgency, and armed conflict; and natural catastrophes—such as floods, other extreme weather events, and the desert locust swarm invasion in East Africa. These risks are interconnected and mutually reinforcing, increasing the uncertainty surrounding the outlook.

- *Widespread infection of COVID–19 and de facto containment policies.* The growth outlook

for 2021 and beyond depends largely on the epidemiology of the virus and the responses by African governments. The pandemic causes both demand and supply shocks. It reduces the labor supply when infected people become unwell, are quarantined, and cannot go to work. This shock is reinforced by lockdowns, which prevent movement of factors of production thereby disrupting supply chains and reducing labor productivity. The disruption particularly affects the manufacturing and service sectors that rely on social interactions, such as tourism, hospitality, entertainment, and transportation. On the demand side, job losses, income declines, and heightened uncertainty about the future would cut consumption and investment demand. If the spread of the virus continues and lockdowns are protracted, the projected recovery in 2021 might not happen.

If the spread of the virus continues and lockdowns are protracted, the projected recovery in 2021 might not happen

- *Subdued commodity prices.* Commodity prices have declined sharply, and for the first time in history oil futures entered negative territory. This uncertainty arising from excess supply in the global market and weak global demand could suppress oil prices for a protracted period. This would worsen the already fragile public finances of oil exporters and other resource-intensive economies on the continent, making it more difficult for them to recover from the deep 2020 recession.
- *Capital flight, high debt burdens, and tightening global financing conditions.* Since the beginning of the crisis, financial markets in emerging and developing economies have experienced capital flight estimated at more than $90 billion, as investors make a run for safe assets.[4] The high volatility and uncertainty have led to wider spreads for Africa's sovereign debt, exchange rate fluctuations, and a sudden reversal of financial inflows. This tightening of global financing makes it more expensive for governments to access the required funds to save lives and livelihoods and difficult, if not impossible, to refinance maturing debt. If these trends continue, they will constrain the ability of governments to intervene to stimulate economic recovery while exacerbating fiscal stress and debt vulnerabilities.
- *Natural catastrophes.* Africa has recently experienced severe natural catastrophes, such as Locust–19, affecting farms and livelihoods in Eritrea, Ethiopia, Djibouti, Kenya, Somalia, and Uganda, and extreme weather-related shocks across the continent, including droughts, floods, and cyclones in Mozambique, Zambia, and Zimbabwe. Moreover, the expected return of El Niño conditions to East Africa could usher in severe droughts and flooding, suppress agricultural output, and reduce food security, potentially undermining Africa's recovery.
- *Deteriorating security and social unrest.* Many countries on the continent, especially those in the Sahel, entered the crisis period with underlying security challenges related to armed conflict and terrorism. The pandemic thus heightens the risk of further social unrest and terrorist attacks, as recently witnessed in West Africa. Moreover, discontent from citizens who perceive their governments not doing enough or being high-handed or partial with their COVID–19 mitigation policies might lead to new rounds of social unrest in many countries, as is happening in some advanced countries. This might further jeopardize the prospects for a quick recovery in Africa. Globally, the key policy battle is how to enact appropriate measures that strike the proper balance between protecting citizens' livelihoods and protecting their lives. Protests have occurred in certain U.S. states, but very little social unrest.

Despite the risks, several tailwinds could help reinforce Africa's resilience to the crises and enhance the outlook for growth recovery. The demographic composition in Africa, with 58 percent of the population under 25 years, may limit the humanitarian and economic consequences by reducing the number of fatalities and the indirect macroeconomic repercussions. Preliminary evidence suggests a positive correlation between countries having an older population and the severity and fatalities from the virus. Many countries in Africa also entered the crisis with robust growth rates (6 of the 10 fastest-growing economies in the world were from Africa), strong domestic consumption, and external buffers. These favorable initial conditions could help many countries to better weather the difficult economic fallout of the COVID–19 pandemic.

MACROECONOMIC ENVIRONMENT AND FUNDAMENTALS ARE DETERIORATING

Currency depreciations have been accompanied by some sudden upticks in inflation

The pandemic already has triggered an increase in inflation in the continent, in some cases by more than 5 percent in the first quarter of 2020 (Angola, Ethiopia, Zambia) (figure 1.7). This has mainly been caused by disruptions in the supply of food and energy, the bulk of which are imported. But for many other countries, the drastic fall in aggregate demand due to the lockdown and containment measures has eased inflationary pressures, especially among non-resource-intensive economies.[5] Overall, although headline inflation, which includes food and basic energy prices, would be expected to rise, core inflation might remain stable until demand picks up after the pandemic.

Exchange rates have fluctuated widely during the pandemic, depending on the structure of an economy, openness of the capital account, dependence on commodity exports for revenue, and the exchange rate regimes in place. For countries within the CFA franc zone (WAEMU/CEMAC), exchange rate movements have been muted, mimicking the behavior of their reference currency (the euro). But exchange rate depreciations have been sharper in frontier economies, such as South Africa, since they are more integrated into global financial systems. They have also been sharper in tourism-dependent Seychelles and Mauritius, and resource-intensive economies, such as Algeria, Angola, Botswana, Nigeria, and Zambia (figure 1.8). The observed currency depreciations have occurred in the wake of capital flight, curtailed foreign earnings, and in some cases reserve drawdowns to finance increased imports of medical supplies and increasing fiscal and current account deficits.

Unlike central banks in many advanced countries, several monetary authorities in Africa have been able to use the policy interest rate to ease liquidity constraints in their economies. Since January 2020, many African countries have followed accommodative monetary policy stances or quantitative easing, notably Nigeria's policy rate cut of 400 basis points, from 9 to 5 percent, Egypt's policy rate adjustment from 13.25 to 10.25, and South Africa's adjustment from 6.25 to 4.25, which affected countries in the region that belong to the Common Monetary Area. Moreover, in the CFA franc zone, regional entities of the central banks, particularly the Central Bank of West African States, have made direct liquidity injections into the economy.

The pandemic is expected to trigger expansionary fiscal spending, doubling already wide fiscal deficits

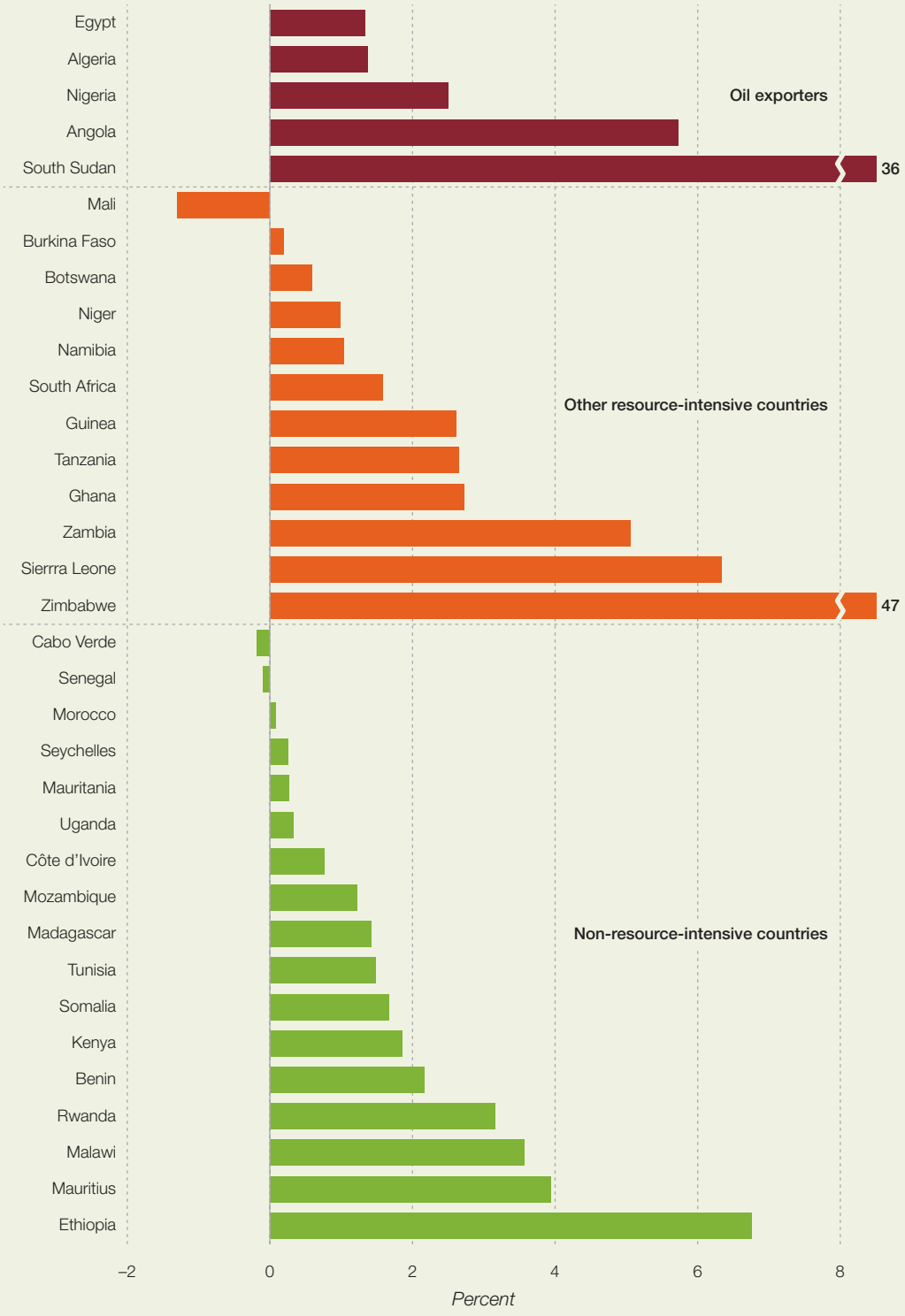
The pandemic and its economic consequences are expected to trigger expansionary fiscal policy responses across all categories of economies in Africa. The implied expansionary fiscal stance would further widen fiscal deficits in the continent. In 2020, deficits are projected to increase twofold, to 8.0 percent of GDP, in the baseline scenario, and to go as high as 9.0 percent in the worst-case scenario (figure 1.9). This worsening of fiscal position would be the result of above-the-line increases in budgetary outlays on COVID–19 related health spending, unemployment benefits, targeted transfers (such as wage subsidies and direct transfers), and tax cuts and deferrals. Some countries, notably South Africa, have announced fiscal stimulus packages as high as 10 percent of GDP (figure 1.10).

The widening fiscal deficits are driven by the deterioration of government revenues, particularly due to reduced exports of primary commodities and related declines in customs duties. Evidence from previous epidemics suggests that government revenues fall even more sharply than economic activity during an epidemic or crisis period.[6]

As discussed in the 2020 *African Economic Outlook,* African economies still exhibit lower revenue-to-GDP ratios than peer low- and middle-income economies, and progress has been slow in implementing comprehensive income tax reforms, encouraging formal business registration of informal firms, and implementing sales or value-added taxes. In the short to medium term, structurally large fiscal deficits, stemming primarily from low domestic resource mobilization and inadequate tax effort in the region, are bound to remain a source of concern. Moreover, the lack

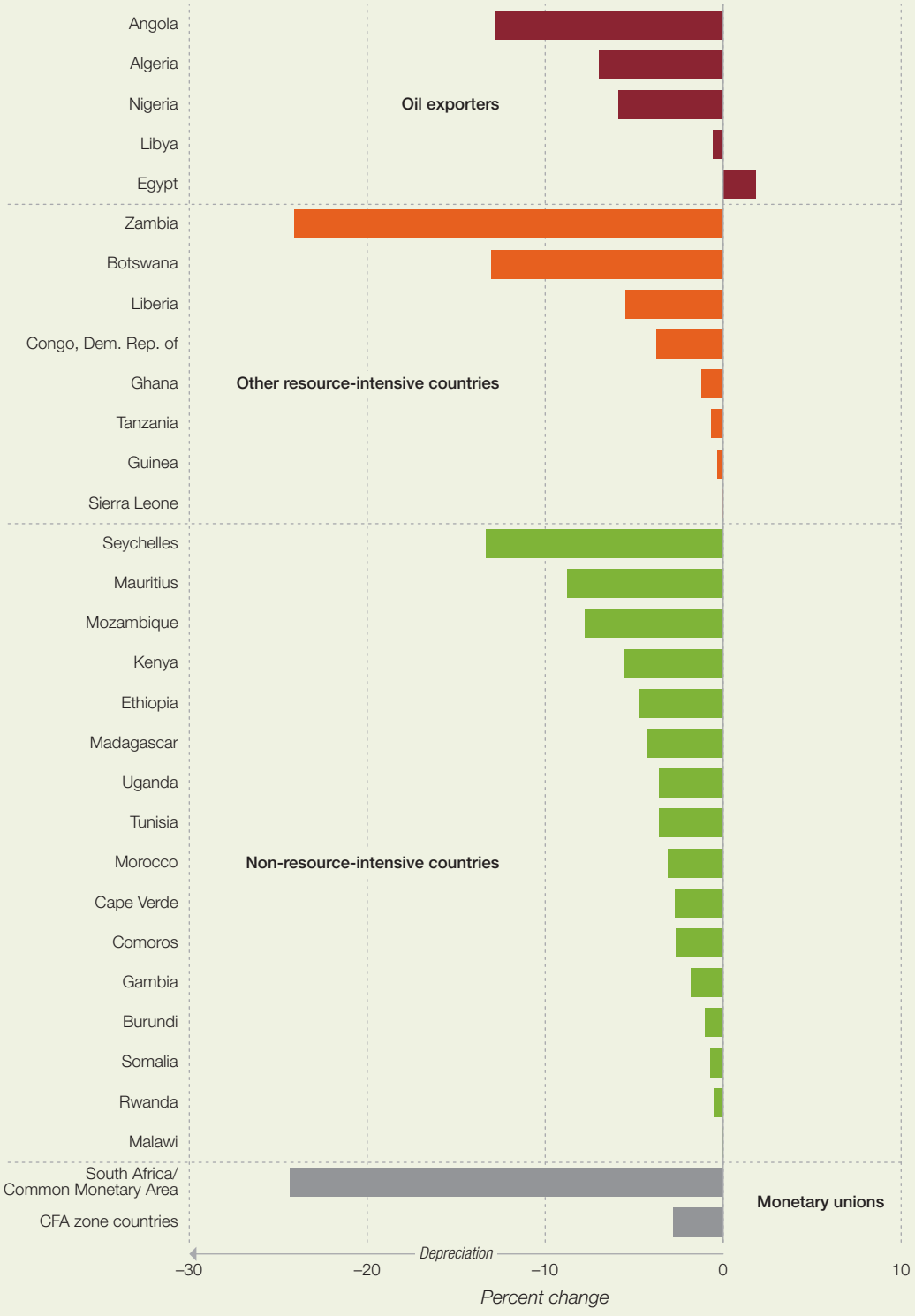
Government revenues fall even more sharply than economic activity during an epidemic or crisis

FIGURE 1.7 The pandemic has already triggered inflation



Note: Changes in consumer price index, from December 2019 to March 2020.
Source: African Development Bank statistics.

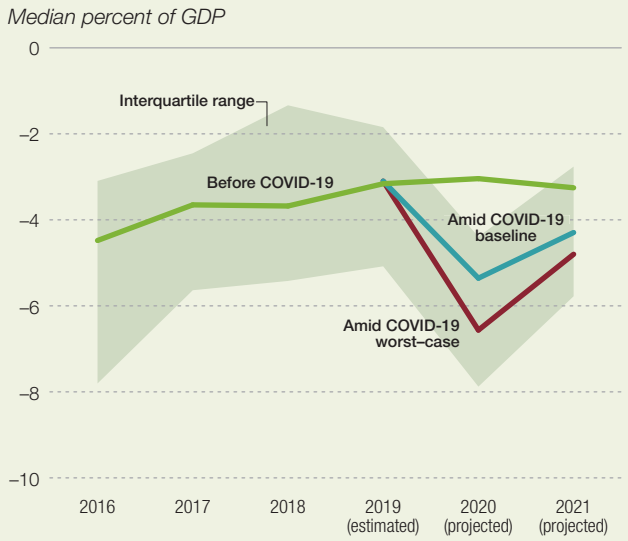
FIGURE 1.8 Currency depreciations have been sharper in frontier economies



Note: Data as of 28 April 2020.

Source: African Development Bank statistics.

FIGURE 1.9 Fiscal deficits are projected to at least double



Source: African Development Bank statistics.

High debt service obligations mean that governments will face difficult tradeoffs during the crisis: whether to honor debt obligations or spend domestically to contain and cushion the impacts

of counter-cyclical policy instruments—such as reserve funds, social insurance, progressive taxation, and business cycle–contingent fiscal rules—implies that fiscal positions would remain volatile and subject to the COVID–19 shock.

COVID–19 exacerbates debt vulnerabilities in Africa, but temporary debt service relief can alleviate risks

COVID–19 adds to the debt burdens of African economies and heightens the likelihood of a widespread and far-reaching sovereign debt crisis if debt is not properly managed. Many countries in Africa entered the crisis period with high debt-to-GDP ratios, which are projected to increase further by up to 10 percentage points beyond the pre-COVID–19 trajectory in 2020 and 2021 (figure 1.11). This potential debt increase is particularly worrisome because of its changing risk structure in Africa as a result of the increasing share of commercial debt—eurobonds and other private creditors (figure 1.12, left panel)—and the high foreign currency denomination of Africa's debt.

The changing composition of Africa's debt toward more commercial market-based makes it more expensive and riskier than it used to be. This has caused significant increases in the debt servicing obligations, rising to 25 percent of export earnings in some countries (figure 1.13). High debt service obligations mean that governments will face difficult tradeoffs during the crisis: whether to honor debt obligations or spend domestically to contain and cushion the impacts of the COVID–19 pandemic. The debt service moratorium granted by the African Development Bank and other multilateral creditors is essential to reconcile the dilemma while dealing with the outbreak.

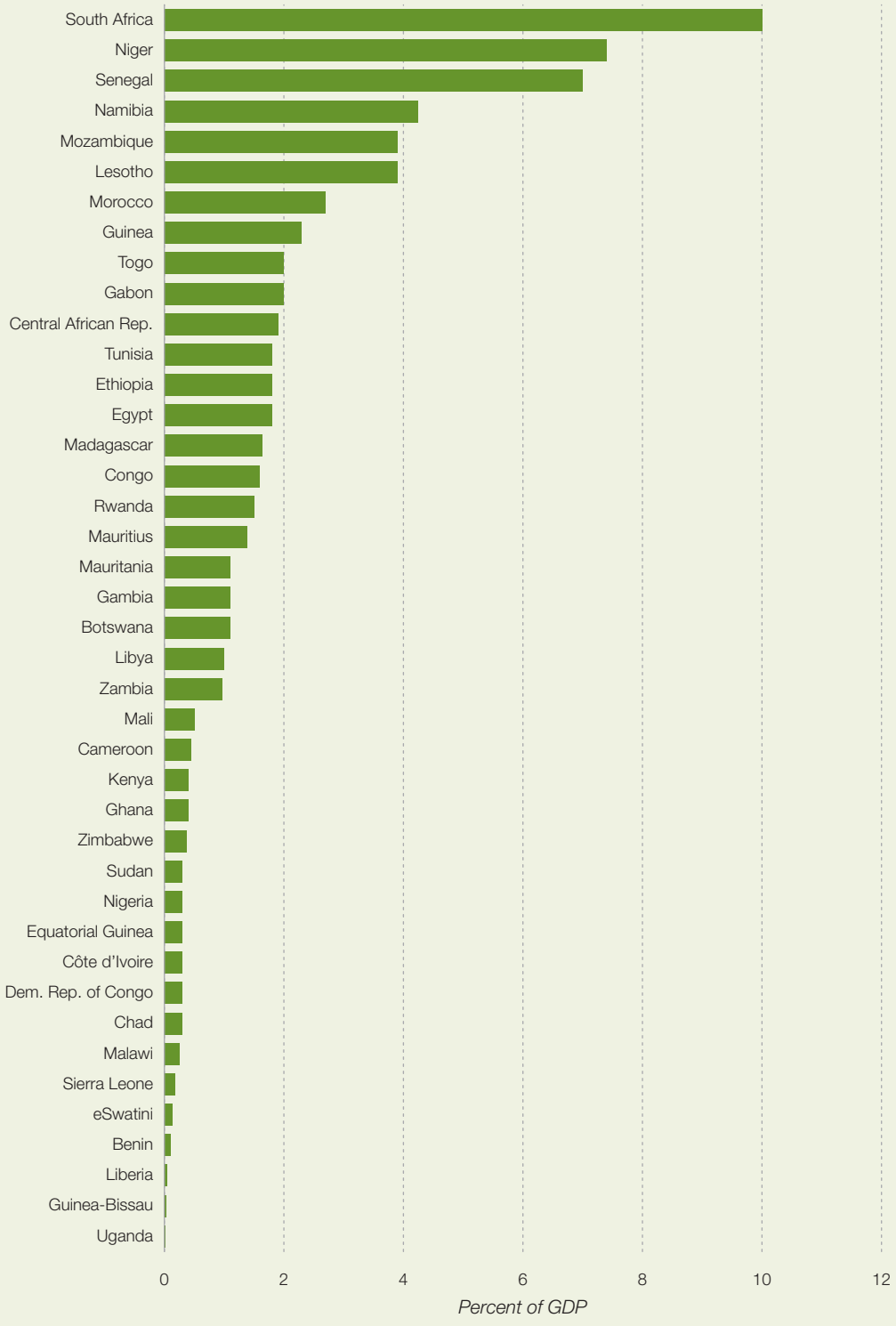
With global capital markets experiencing some of the most disorderly movements in recent years due to extreme risk aversion exhibited by investors during the crisis, spreads on bond yields for Africa's frontier economies have widened significantly since the pandemic by over 700 basis points (see figure 1.12, right panel). As a result of the uncertainties, African bond issuances have virtually ceased, making African governments temporarily unable to access new funding from eurobond markets and unable to refinance maturing debt. These developments support the case for including state-contingent clauses that stipulate actions to be taken in case of a catastrophe in future sovereign debt contracts.[7]

Creating the fiscal space to respond to the COVID–19 pandemic, given the rising debt vulnerabilities, will require broad coordination and solidarity from international development partners. The African Development Bank has responded swiftly through its COVID–19 Rapid Response Facility, which provides temporary debt service relief to all regional member countries through budget support operations and nonsovereign private sector operations.

External positions are expected to worsen significantly during the crisis, with projected improvements in the short to medium term

Africa's average current account deficit, estimated at 4.3 percent of GDP for 2019, is expected to worsen to 6.8 percent under the baseline scenario (and to 8.1 percent under the worst-case scenario) before moderating to 5.6 percent in 2021 (6.7 percent under the worst-case scenario) (figure 1.14). Decomposing the current account

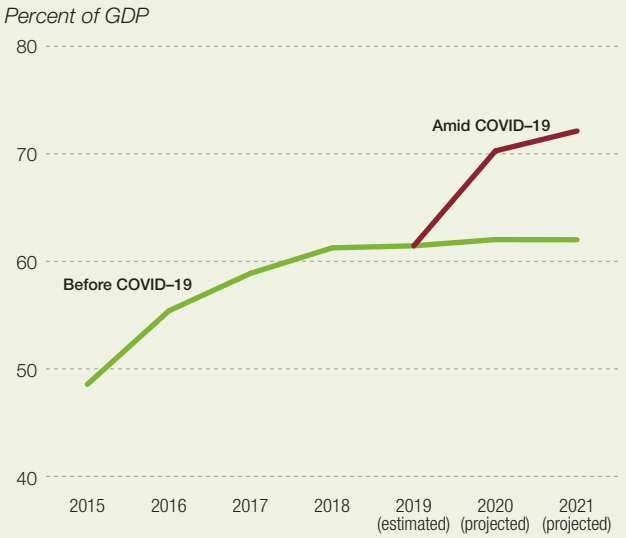
FIGURE 1.10 Some countries have large fiscal stimulus packages



Note: Size of fiscal stimulus in response to COVID–19, January–April 2020.

Source: African Development Bank statistics, IMF statistics, and African Development Bank staff calculations.

FIGURE 1.11 Debt-to-GDP ratios are projected to increase further



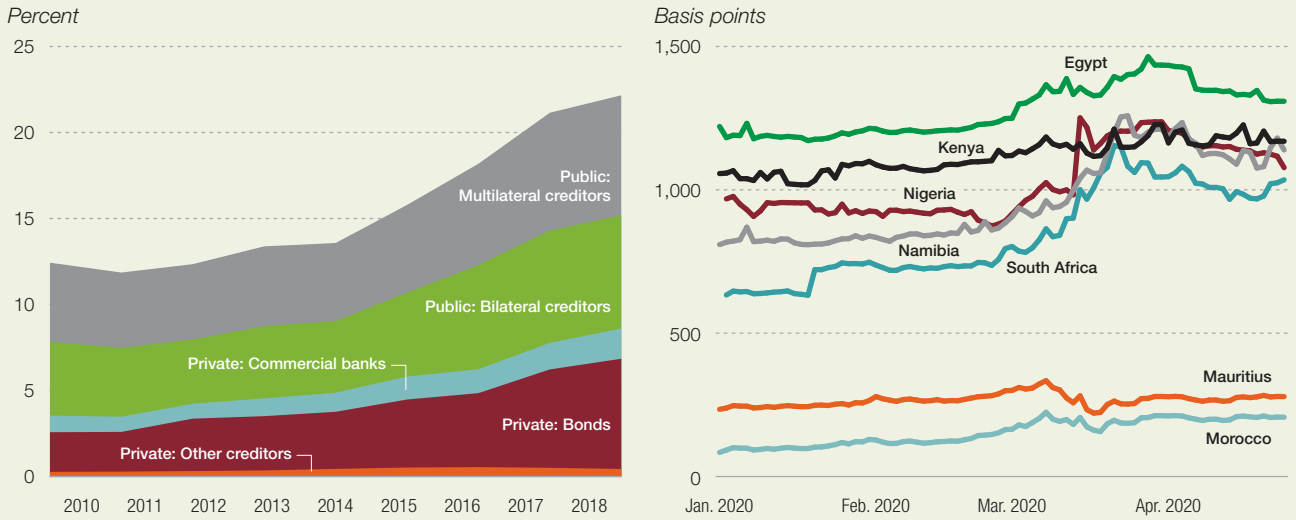
Note: Projected public debt, before and amid COVID–19, 2015–21.
Source: African Development Bank statistics and IMF statistics.

into the trade balance, current transfers, and net factor income, the improving trend since 2015 was mainly due to increases in current transfers, notably remittances and foreign aid, which are precisely the flows expected to be substantially reduced by the global crisis as economic activity in China, Europe, and the United States contracts and their resources are redirected to combat national crises.

Remittances and foreign direct investment—the dominant financial flows to Africa—are vulnerable to reversals during the pandemic

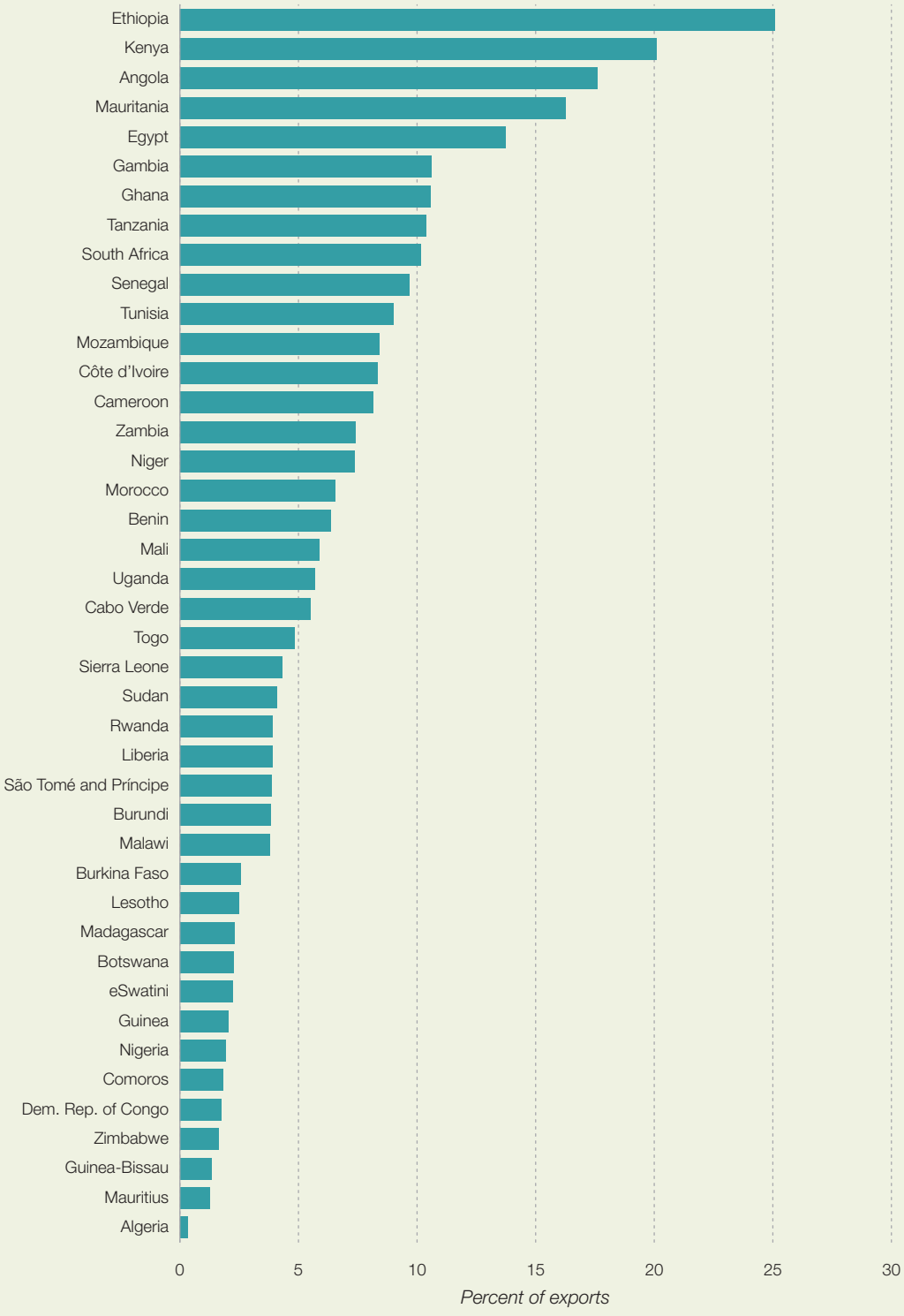
Remittances took the lead in external financing, up 7 percent from 2017, to $82.8 billion in 2018, and increasing further to $86.2 in 2019 billion on the back of a pickup in global economic growth and rising migration. This has become a vital source of foreign financing for many African economies, more than 10 percent of GDP for Cabo Verde, Comoros, Gambia, Lesotho, Liberia, and Senegal. In turn, these countries have become

FIGURE 1.12 The share of commercial debt is rising—as is the foreign currency denominated debt



Note: Decomposition of external debt by source and sovereign bond spreads.
Source: International Debt Statistics database and African Development Bank staff calculations.

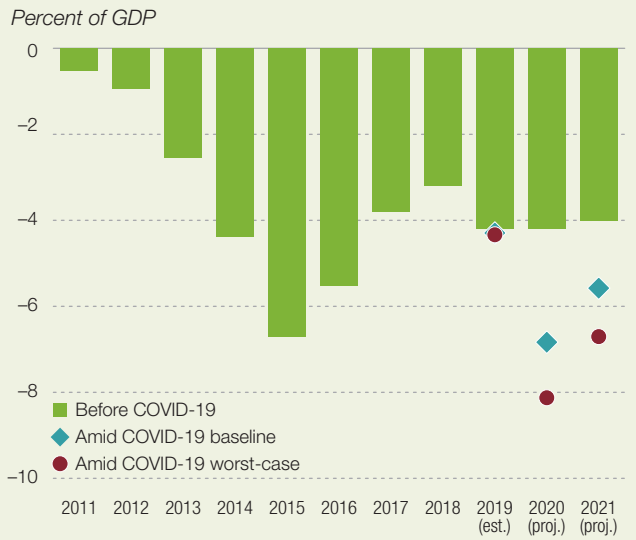
FIGURE 1.13 Debt-servicing obligations are up sharply



Note: Public and publicly guaranteed external debt service as a percentage of exports.

Source: African Development Bank statistics and World Bank Development Indicators (2019 or most recent year).

FIGURE 1.14 Africa's current account is expected to worsen to 8.1 percent of GDP in 2020

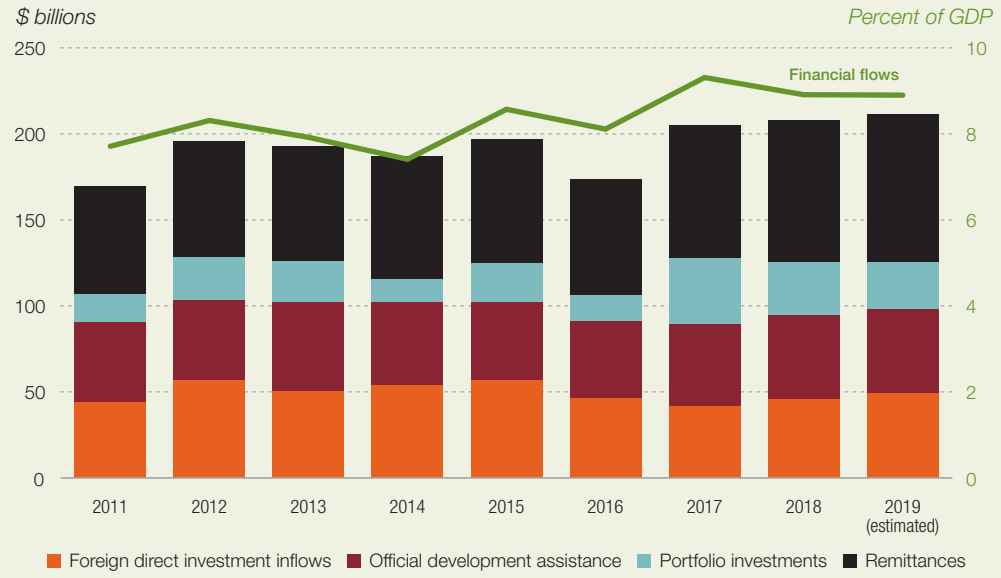


Source: African Development Bank statistics.

exceptionally vulnerable to shocks to remittances caused by COVID–19, especially in high-income economies where migrant jobs and incomes are threatened.

Foreign direct investment, which picked up in 2018 by 10.9 percent, reaching $45.9 billion and improved further, to an estimated $49 billion in 2019 (figure 1.15), is also expected to fall in 2020 as investors reduce or postpone their investments amid uncertainties.[8] Official development assistance, which has risen since 2016 (up 1.2 percent in 2018), could be constrained by the impact of the crisis on advanced economies. And portfolio flows, which have declined since 2017, standing at $27.1 billion in 2019 for Africa, are experiencing severe pressures as emerging market capital flows suddenly stop, with forecasts predicting a fall of more than 50 percent in 2020, driven by the COVID–19 shock to global growth and a more risk-averse sentiment among investors.[9]

FIGURE 1.15 Foreign direct investment and remittances flows will be disrupted



Source: African Development Bank statistics; UNCTADSTAT.

2 SOCIOECONOMIC IMPACTS OF COVID–19 ON AFRICA

The coronavirus disease (COVID–19) is an infectious disease caused by a newly discovered strain of coronavirus. Most people affected with the virus experience mild to moderate respiratory illness and recover without requiring special treatment, but patients can develop fatal complications.[10] The disease, first reported in China's Wuhan Province in December 2019, was declared a global pandemic in March 2020. As of 22 June 2020, more than 8.8 million cases have been reported around the world, with more than 465,000 deaths. Although the virus arrived in Africa later than in other parts of the world, it is spreading rapidly. Countries with the highest cases in Africa as of 22 June include South Africa (97,302), Egypt (55,233), Nigeria (20,244), Ghana (14,154), Algeria (11,771), and Cameroon (11,281). Although the spread of the pandemic has started to decelerate for much of Africa, the number of those affected is still increasing at a time when the curve is flattening in other parts of the world. New cases are doubling in 15 to 30 days for most countries on the continent (figure 2.1).

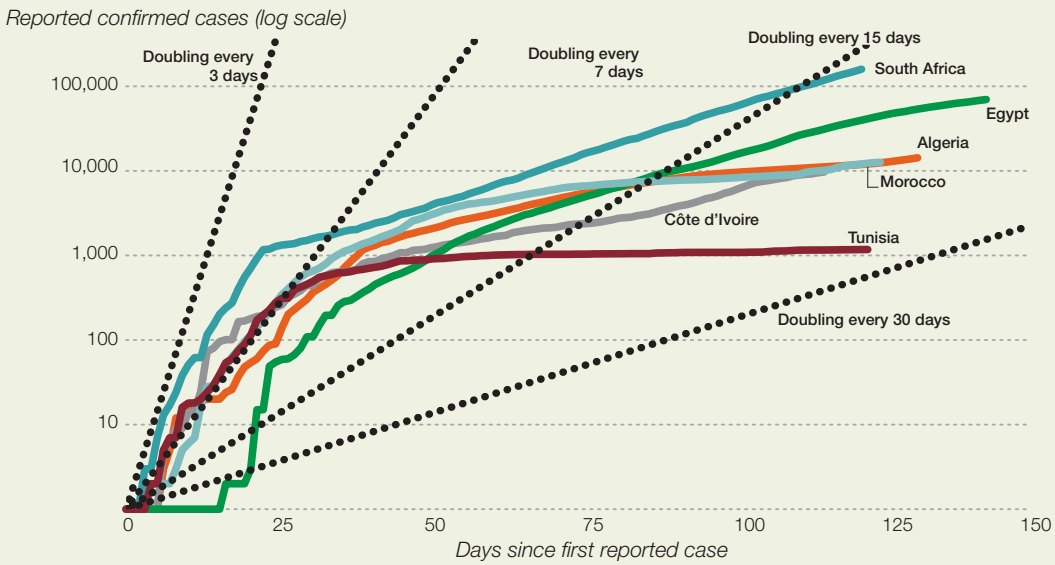
The number of confirmed cases of COVID–19 in 54 African countries was 304,642, with 8,087 reported deaths as of 22 June 2020. The reported figures are likely to be understated because of the limited testing capabilities in most countries. Countries in North Africa and Southern Africa appear to be the most affected to date, while the number of cases reported in East, Central, and West Africa have been lower. Still, the differences could be due to lags in testing or differences in mitigation approaches.

AFRICA IS INADEQUATELY PREPARED TO CONTAIN THE SPREAD OF THE VIRUS

The spread of the virus in Africa depends largely on the preparedness of countries to separate and treat infected patients, posing a major risk of a public health emergency because of the region's high vulnerability to disease and low health-care system preparedness. The Global Health

The number of confirmed cases of COVID–19 in 54 African countries was 304,642, with 8,087 reported deaths

FIGURE 2.1 The curve of the pandemic in Africa is flattening gradually



Source: Johns Hopkins University COVID–19 database (as at 30 June 2020).

Security (GHS) Index, a comprehensive assessment of a country's health system capabilities, shows that most African countries are rated as least prepared, with an average score of 31.1 of 100 points, far below the global average of 40.2. Only 21 of 54 African countries are classified as being more prepared from a clinical perspective, with scores between 33.3 and 66.6, to deal with epidemic threats with international implications. The other 33 African countries are ill-equipped and least-prepared to respond to the outbreak. Countries that require special attention because of their low ranking health system preparedness are Equatorial Guinea, São Tomé and Príncipe, and Somalia (figure 2.2).

Only 21 of 54 African countries are classified as being more prepared from a clinical perspective to deal with epidemic threats

Another dimension of vulnerability is the inherent immunity or disease burden in populations, which could boost or diminish resilience. For example, countries and population segments with a higher prevalence of HIV/AIDS, cancer, cardiovascular diseases, and chronic respiratory illness have higher risk of mortality and contagion from COVID–19.[11] The five countries with the highest probability of death from communicable and noncommunicable diseases are Central African Republic, Lesotho, Somalia, eSwatini, and Zambia.[12]

As Africa has trailed other parts of the world on the curve of the COVID–19 pandemic, its countries have had time to learn from other countries' experiences and so to implement early measures such as limiting or halting air transportation, putting in place curfews, and even ordering lockdowns before cases started to expand. Some African countries had experience with the Ebola crisis or other serious infectious diseases, which could help them put together strategies for addressing the current outbreak. Adapting any of the experiences garnered elsewhere to African realities will nevertheless be critical, taking into account the impacts on social welfare, notably on the large informal sector, in which the majority derive their livelihoods. Since many people live on subsistence wages, their hand-to-mouth existence implies that extraordinary measures will be required to help them cope.

Africa has also boosted its technical capacity to confront the crisis in recent months. At the beginning of February 2020, only two laboratories on the continent (in Senegal and South Africa) had the capacity to run tests for COVID–19, but many countries, such as Egypt, Ethiopia, Ghana, Kenya, Morocco, Nigeria, and Tunisia, have increased their testing capacity.[13] The outbreak has also sparked many initiatives. For instance, students from national universities across Africa are producing hand sanitizers and respirators, while textile and fashion industry outlets have remodeled some of their capacities to produce face masks. African countries are also developing partnerships with institutions in the West to arrive at solutions suited to their circumstances. Senegal, for example, is partnering with a firm in the United Kingdom to develop a rapid COVID–19 test that will cost less than one euro.[14] Ramping up testing across the continent at reasonable cost is a potential game-changer in the fight against the virus.

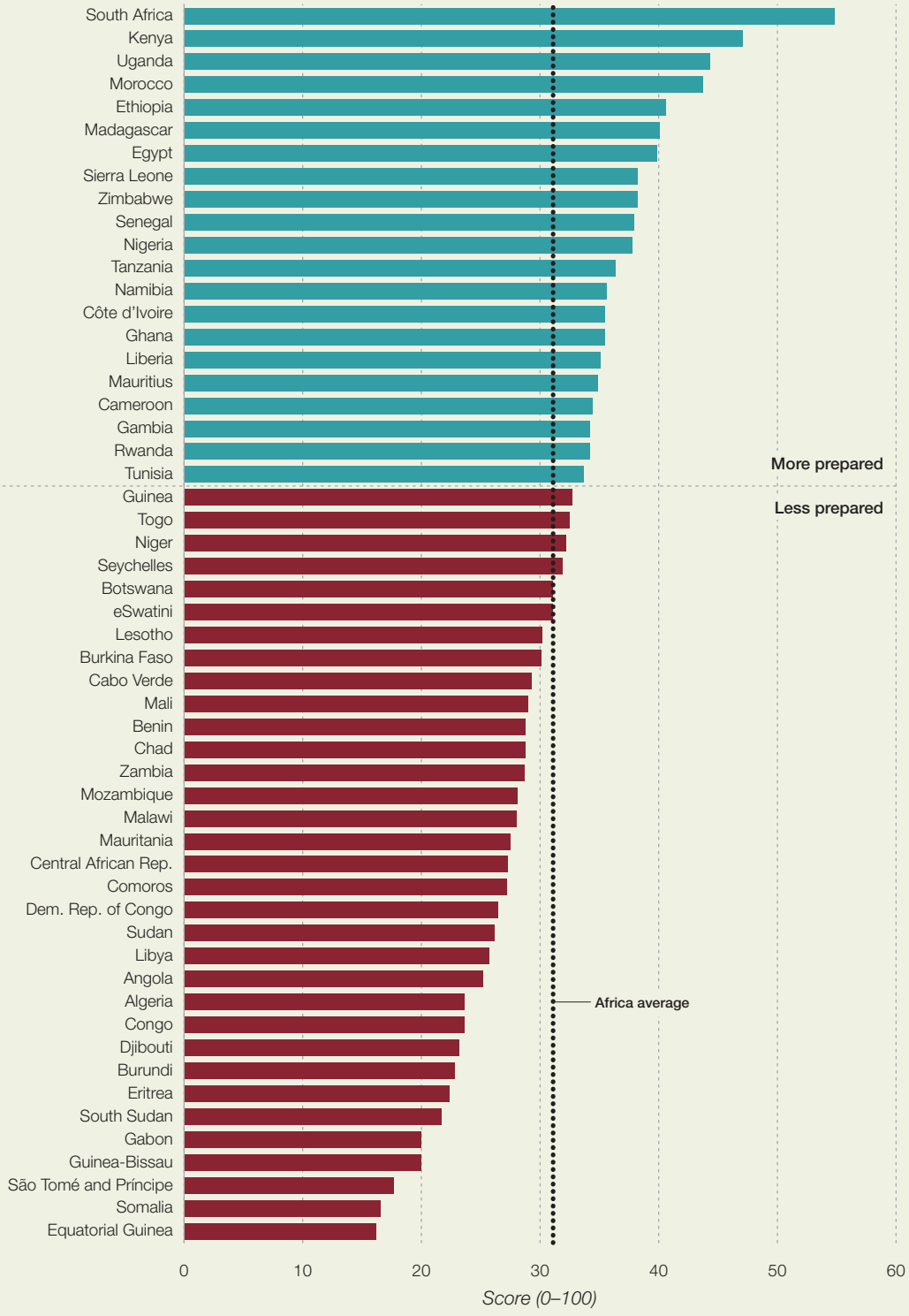
MAIN TRANSMISSION CHANNELS OF COVID–19 IMPACTS ON AFRICAN ECONOMIES

Trade

COVID–19 is contracting the volume of the trade in goods and services that African economies exchange with the rest of the world. Africa's trade is dominated by oil, minerals, and agricultural products. Only 15 percent is with other African countries, and the rest offshore. Europe, China, and the United States accounted, respectively, for 36 percent, 14 percent, and 6 percent of Africa's total trade in 2018. The slowdown in global demand due to COVID–19 is expected to depress the demand for African commodities and thus to lower commodity prices. For African countries, the overall impact will depend on whether a country is a net oil exporter or importer. Net oil exporters will encounter a serious revenue decline, but net oil importers might gain.

Agricultural and intermediate goods–exporters would face lower demand from international buyers, and both exporters and importers would face disruptions in transport logistics. The trade channel is measured by using trade indicators linking African countries to their main trading partners (China, Europe, and the United States).[15] Countries are classified as having high or low vulnerability

FIGURE 2.2 Health system preparedness for epidemic threats varies greatly, with international implications



Source: Global Health Security (GHS) Index.

to trade disruptions based on their trade intensity (ratio of trade to GDP) with the rest of the world. Countries in the fourth quartile are classified as having a high vulnerability or exposure to the impact of COVID–19 through the trade channel (figure 2.3). The most vulnerable are Congo, Libya, Mauritania, Morocco, Seychelles, and Tunisia.

Financial flows

Financial flows to Africa—including foreign direct investment (FDI), official development assistance (ODA), portfolio investments, and remittances—are expected to contract and reverse as a result of the outbreak. In 2018, total financial inflows to Africa represented 10 percent of GDP, and the continent recorded the world's fastest growth in FDI inflows (11 percent). This trend is likely to slow considerably and be reversed as a result of the pandemic—as investors divest, seek safe havens, and postpone investment due to travel restrictions and increased global uncertainty. Financial inflows to Africa are expected to shrink, especially from China, which has become one of the main investors and development financiers in Africa, providing sovereign and private loans and investing directly in a variety of such sectors as infrastructure and mining. Chinese loans to Africa jumped from $130 million in 2000 to $11 billion in 2018—increasing 85-fold in about 20 years. This trend is expected to reverse temporarily and could cease completely in the worst-case scenario. Countries that could be particularly vulnerable to the reduction of financial flows include Congo, Liberia, Seychelles, and Zambia, where Chinese FDI as a share of GDP was the highest between 2014 and 2018. The most vulnerable sectors are those receiving the most Chinese FDI: construction, transportation (roads, railroads, airports, and harbors), energy, and mining.

Countries highly dependent on tourism for export revenues will be more vulnerable than others

Remittances from the African diaspora are also likely to be depressed due to the pandemic. Diaspora remittances have become the largest source of financial inflow to Africa, surpassing aid and FDI.[16] By depressing economic activities in migrant destinations, especially developed countries, the pandemic reduces migrants' remittance capacities due to job losses, salary cuts, household expenditures, and increased healthcare costs. In countries such as Cabo Verde, Comoros, Gambia, Lesotho, Liberia, and Senegal, where remittances represent more than 10 percent of GDP, the economic consequences of a sudden cessation would be substantial (figure 2.4a). Other countries highly vulnerable to a contraction in remittances include Egypt and Nigeria, which received on average $21 billion between 2014 and 2018 (figure 2.4b), making them the largest recipients in Africa in absolute terms.

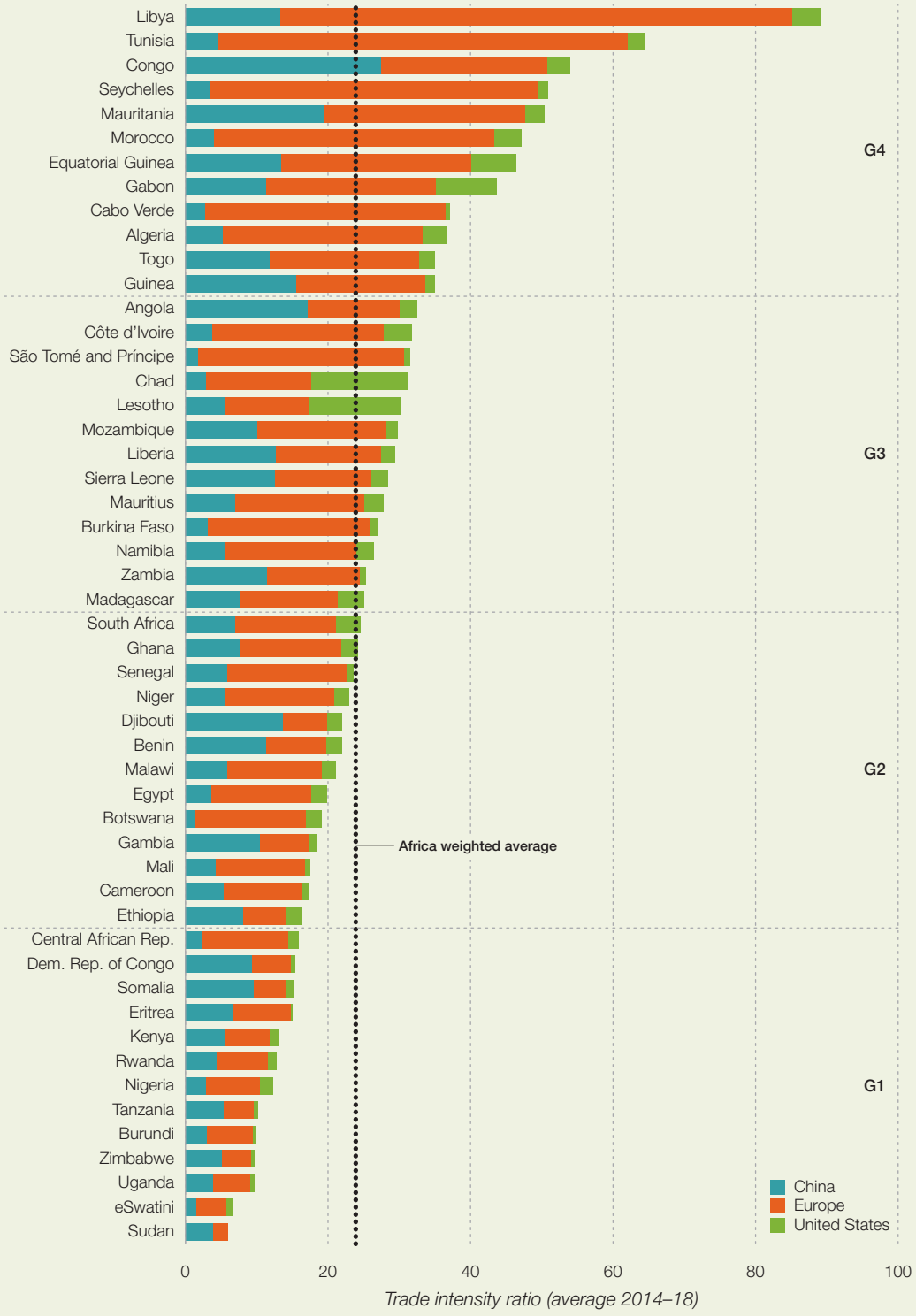
Tourism

Africa has the world's second-fastest-growing tourism sector, representing 8.5 percent of the continent's GDP. The COVID–19 outbreak has brought the sector to a standstill, along with associated economic activities around hospitality, entertainment, and logistics. Between 2017 and 2018, the travel and tourism sector in Africa grew by 5.6 percent, compared with the global average of 3.9 percent. The sector contributed about $194.2 billion to Africa's GDP in 2018, employing an estimated 24.3 million Africans, or around 6.7 percent of total employment. The International Air Transport Association has estimated that the fall in travel in 2020 due to the coronavirus outbreak could translate into an 11 percent worldwide passenger revenue loss—equal to $63 billion if the spread is limited and up to a 19 percent loss of $113 billion if the spread continues. African tourism and travel sectors will be affected, particularly in countries where the tourism industry's contribution to the economy is large. Countries highly dependent on tourism for export revenues will be more vulnerable than others (figure 2.5). For instance, in São Tomé and Príncipe and Cabo Verde, 50 percent of export revenues come from international tourism, and in Botswana, Egypt, South Africa, and Zimbabwe international tourism accounts for more than 9 percent of GDP.

Measuring the economic impact of COVID–19 on Africa

To supplement the analysis from the structural macroeconometric African Economic Outlook model used to produce the forecasts, a general equilibrium modelling framework is also used to quantify the potential economic impacts of COVID–19 on African economies. Given the uncertainty surrounding the epidemiology of the virus and the evolving responses of many governments, the impacts are explored under multiple scenarios ranging from a

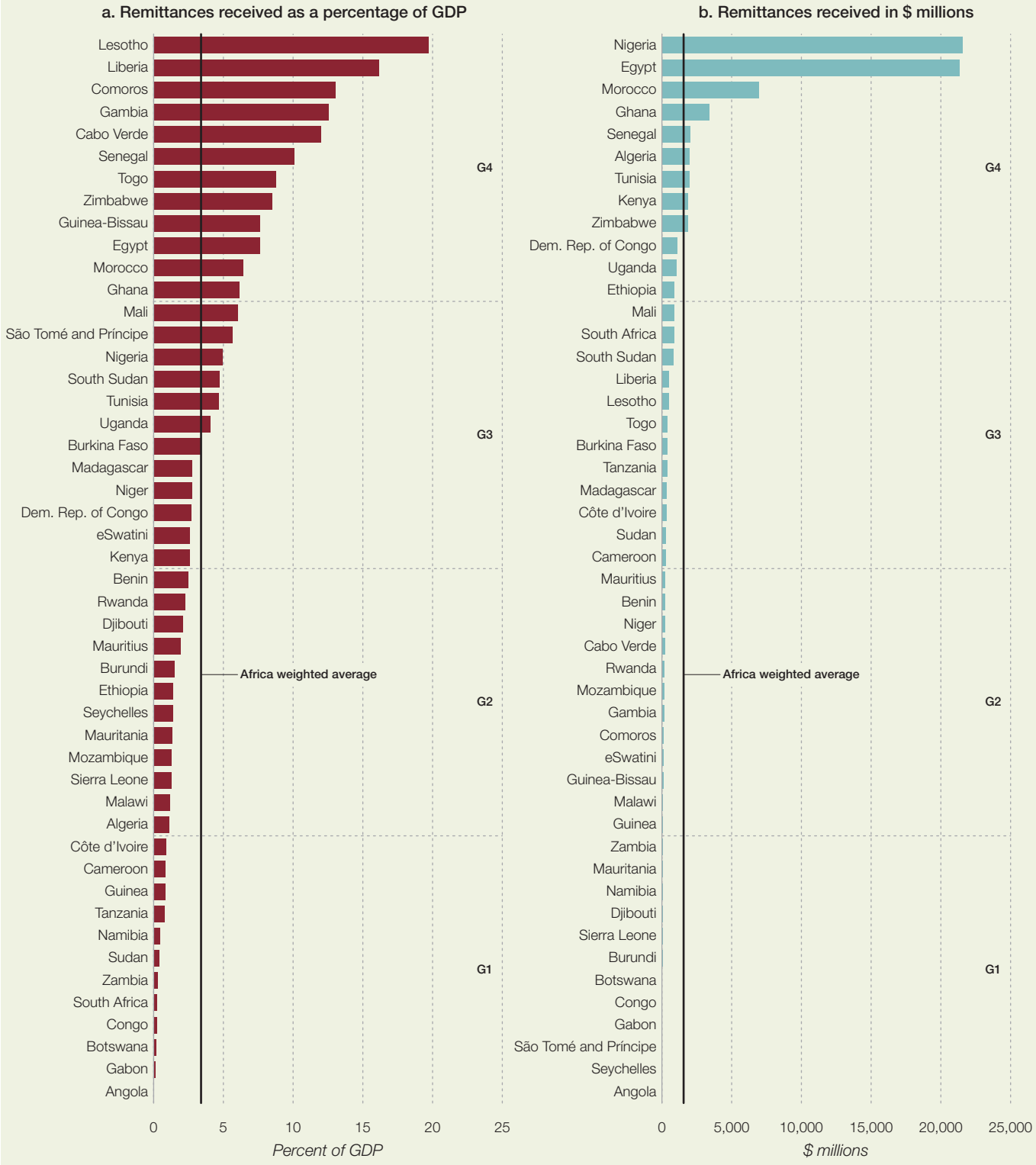
FIGURE 2.3 Economic vulnerability varies based on trade intensity with China, Europe, and the United States (average 2014–18)



Note: The figure gives each country's trade intensity ratio (trade as a share of GDP) with respect to China, Europe, and the United States, averaged over 2014–18. G1–G4 are quartiles.

Source: African Development Bank statistics and staff computations.

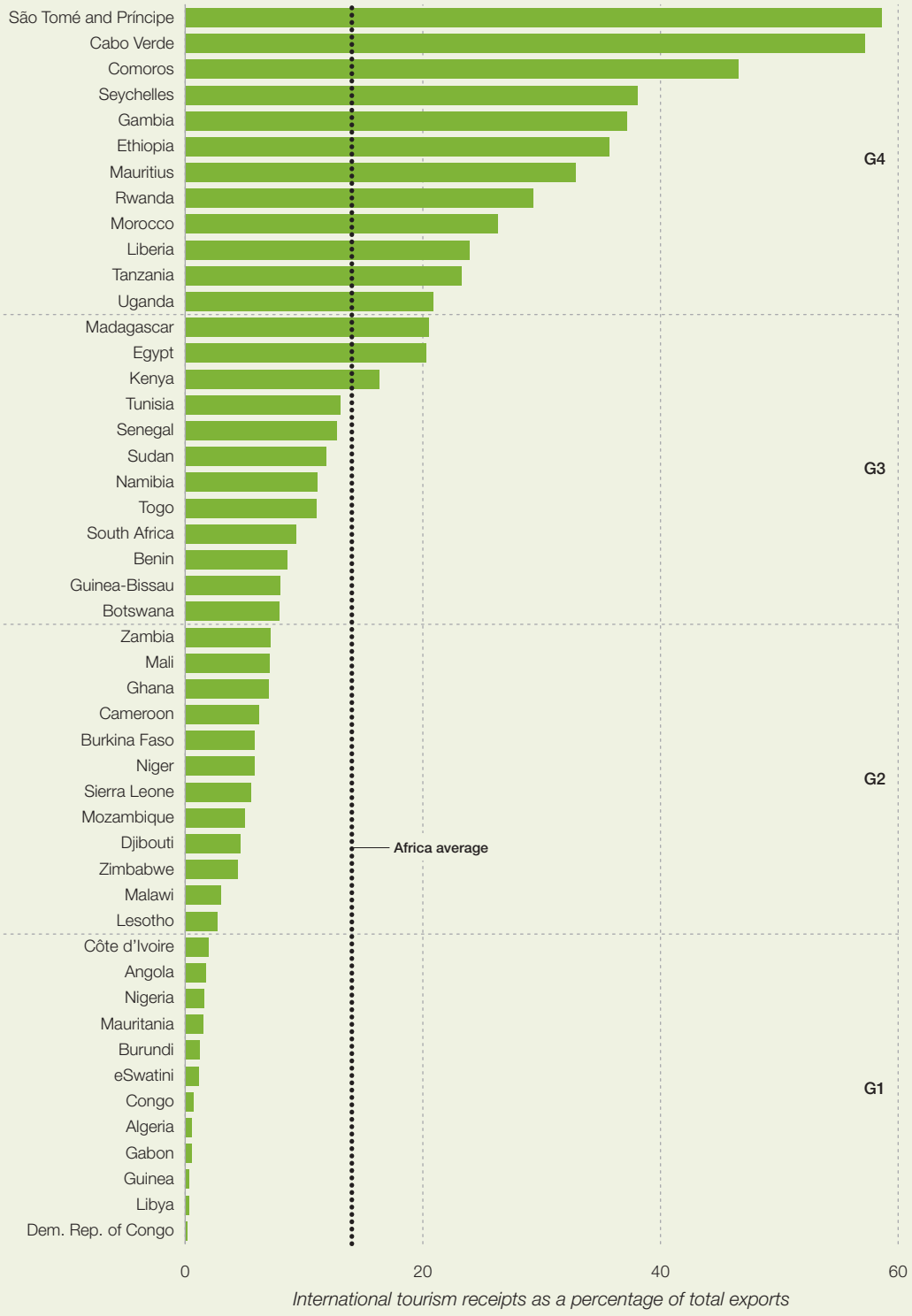
FIGURE 2.4 Countries with deep contractions in remittances are highly vulnerable, 2014–18



Note: G1–G4 are quartiles.

Source: Staff computations using data from the World Development Indicators.

FIGURE 2.5 Countries highly dependent on tourism will be more vulnerable



Note: G1–G4 are quartiles.

Source: Staff computations using data from the World Development Indicators.

baseline, to worst-case scenario (see table A.1 in the annex for details). The estimated impacts should be interpreted as indicative rather than definitive quantities and will, therefore, be revisited and updated as additional information becomes available and as the circumstances change.

Initial economic conditions would determine economic resilience

Initial conditions such as fiscal space and the robustness of external buffers (figure 2.6) would ultimately determine countries' resilience and ability to cushion the effects of the COVID–19 shock, though all African countries are economically exposed to the impacts of shock. Countries with wide fiscal and current account deficits, high debt profiles, or low external reserves are likely to be the least resilient. The structure of African economies would also influence their exposure. For instance, major oil exporters such as Angola, Congo, Gabon, Libya, Nigeria, and South Sudan are the most vulnerable to commodity price downturns.[17] Countries with low external reserves will have limited room to finance medical consumables and the imports needed to support medical facilities, or to pay back maturing foreign currency denominated debt.[18]

Africa's demographic structure could mitigate the impact of COVID–19 on the continent

COVID–19 directly affects Africa's human capital stock. It indirectly affects the economy through the fatality rate of infected people, a function of the demographic structure of the population. Preliminary evidence indicates that the severity of cases and fatality rates are correlated with the age composition of countries.[19,20] With 58 percent of the population aged 24 years and below, Africa has the world's highest concentration of young people. The continent has the lowest share of elderly people, with only 3.7 percent of the population ages 65 years and above. Preliminary evidence indicates that countries with a higher proportion of senior citizens ages 65 years and above have higher fatality rates from infection (figure 2.7).[21] But there is a negative correlation between the share of people ages 24 and below and COVID–19-related deaths (figure 2.8). Thus, it seems that the demographic structure of the continent can lower the loss of income and productivity due to COVID–19.

Unbudgeted health expenditures exacerbate the cost of living for vulnerable households already on the edge of poverty

SOCIAL WELFARE IMPACTS OF COVID–19

COVID–19 is affecting the welfare and incomes of African households in multifaceted ways

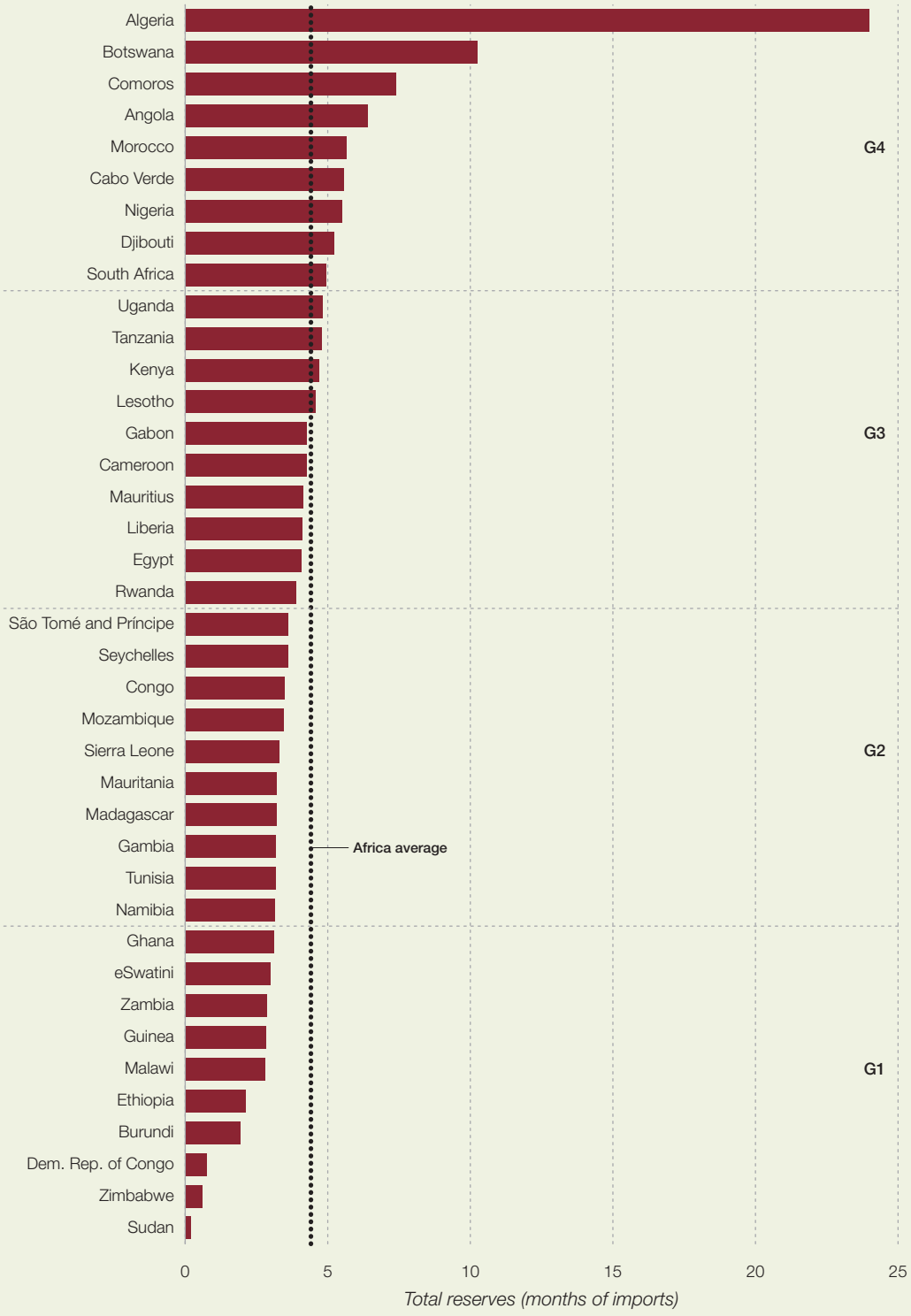
The COVID–19 pandemic could affect the welfare of African households, and therefore their poverty levels, through at least three main channels. First, the disease reduces the capacity of infected and recovering workers to work or undertake other income-generating activities. This revenue reduction is particularly relevant for households engaged in the informal sector—the predominant source of livelihood for the majority of Africans —where there are few social protection mechanisms. It is compounded by public and private restrictions to contain the spread of the coronavirus through quarantines, closures of nonessential businesses, and curfews, which reduce people's employment and earnings and disrupt domestic economic activities.

Second, unbudgeted health expenditures, most of them out-of-pocket, induced by the pandemic (for instance, purchases of gloves, hydroalcoholic gels, face masks, and medicine) can exacerbate the cost of living for vulnerable households already on the edge of poverty, as well as increasing inequality between the rich and the poor. Third, by disrupting domestic and international distribution channels of inputs and outputs and stimulating consumer hoarding, the COVID–19 shock has provoked an increase in the prices of agricultural and other commodities, thereby reducing household purchasing power. This could threaten the food security for poor households, especially if prices of essential goods remain high and therefore unaffordable for an extended period.

The COVID–19 crisis could move the continent further from the Sustainable Development Goal of eradicating extreme poverty

The COVID–19 pandemic will severely hinder Africa's efforts to reducing extreme poverty.[22] Recent commendable efforts by African countries in fighting poverty could be wiped out in the absence of appropriate measures to mitigate the pandemic's effects. Before COVID–19, Africa's extreme poverty rates were projected to decline by 0.71 percentage point

FIGURE 2.6 Countries with low external reserves will have limited room to import medical products



Note: G1–G4 are quartiles.

Source: Staff computations using data from the World Development Indicators database.

FIGURE 2.7 Fatality rates are higher for countries with large shares of older people…

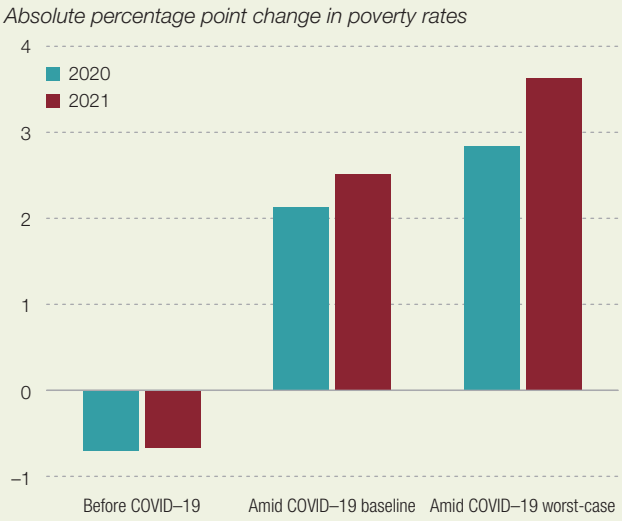
Source: Staff computations using data from the World Health Organization and UN-DESA (as at 19 April 2020).

FIGURE 2.8 …and lower for those with large shares of younger people, as in Africa

Source: Staff computations using data from the World Health Organization and UN-DESA (as at 19 April 2020).

in 2020 and 0.67 in 2021 (see box A.1 in the annex for the methodology) (figure 2.9). But when the effect of the coronavirus pandemic is accounted for, poverty rates are projected to increase in 2020 and 2021, as the partial recovery will not compensate for higher population growth rates. Many African countries will be pushed off-track from the SDG target of eradicating extreme poverty by 2030.[23] Extreme poverty rates are projected to increase in 2020 by 2.14 percentage points in the baseline scenario and

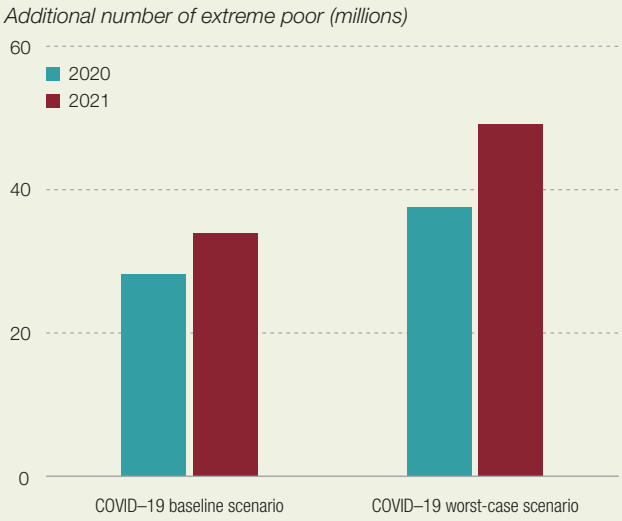
FIGURE 2.9 Extreme poverty rates are projected to increase, not continue to fall



Note: Extreme poverty rates and numbers of extreme poor are measured using the poverty line of $1.90 a day in 2011 purchasing power parity.

Source: Staff computations using World Bank's PovcalNet datasets, growth projections by African Development Bank Statistics Department, and population growth by United Nations Population Division.

FIGURE 2.10 The number of extreme poor in Africa could rise by 28 million this year and 35 million next year



Note: Projected extreme poverty rates and numbers of extreme poor are measured using the poverty line of $1.90 a day in 2011 purchasing power parity.

Source: Staff computations using World Bank's PovcalNet datasets, growth projections by African Development Bank Statistics Department, and population growth by United Nations Population Division.

2.84 percentage points in the worst-case scenario, compared with the absence of the pandemic (see figure 2.9). The poverty impact of COVID–19 would widen in 2021 by 2.51 and 3.63 percentage points in the baseline and worst-case scenarios, respectively.

Although in oil-exporting countries extreme poverty rates are projected to increase by 2.5 percentage points in 2020 (or an additional 14.9 million extreme poor) under the baseline scenario, in oil-importing countries they would only increase by 1.9 percentage points (or an extra 13.3 million poor). Tourism-dependent countries such as Cabo Verde, Egypt, Mauritius, and São Tomé and Príncipe would be more affected than others. In 2020, for instance, extreme poverty rates are projected to almost double in Mauritius in the baseline scenario (from 0.14 to 0.27 percent), and to increase by 46.7 percent in Cabo Verde, 37.4 percent in São Tomé and Príncipe, and 33.3 percent in Egypt.

In the worst-case scenario, an additional 49.2 million Africans could be pushed into extreme poverty by the COVID–19 pandemic

Although the number of extreme poor in Africa was projected to reach 425.2 million in 2020 under the no-outbreak scenario, COVID–19 could increase it further, from 453.4 million in the baseline scenario to 462.7 million under the worst-case scenario, increases of 28 and 37.5 million. In 2021, the number would increase by 34–49.2 million under alternative scenarios as GDP growth continues to trail population growth rates (figure 2.10). Nigeria and Democratic Republic of Congo, two of Africa's most populous countries, would record the largest increases—8.5 and 2.7 million respectively in the baseline scenario in 2020, and 11.5 and 3.4 million in the worst-case scenario.

West and Central Africa would have higher concentrations of people falling into poverty from the pandemic

Households living in the West and Central African regions would face a higher risk of falling into extreme poverty due to the pandemic than households in other regions. In the baseline scenario, the rate of extreme poverty would increase in West Africa by 3.2 percentage points (from 38.6 to 41.8 percent) in 2020 and 4 percentage points (from 37.8 to 41.8 percent) in 2021 compared with the pre-COVID–19 projection. In Central Africa, extreme poverty rates would increase by about 2.7 percentage points in 2020 (from 54.9 to 57.6 percent) and 2021 (from 54.7 to 57.4 percent) (figure 2.11).

Most people falling into poverty due to COVID-19 will be living in Western and Central Africa

In Central Africa, the COVID–19 impact probably would be driven by Democratic Republic of Congo, which has both the biggest projected population of the region (89.5 million, or 61.9 percent in 2020) and the highest rate of extreme poverty (72 percent in 2020 in the baseline scenario). Similarly, Nigeria's population and economy, particularly its high dependence on the severely hit oil sector, could explain the poor performance of the West Africa region (see below). Both Central and West Africa include many oil and commodity exporters severely affected by declines in prices. In East Africa and Southern Africa, poverty impacts will also be large as the regional economy slows due to lower demand among trading partners, disruptions in supply chains, lower domestic production, and reduced tourism and hospitality activities.

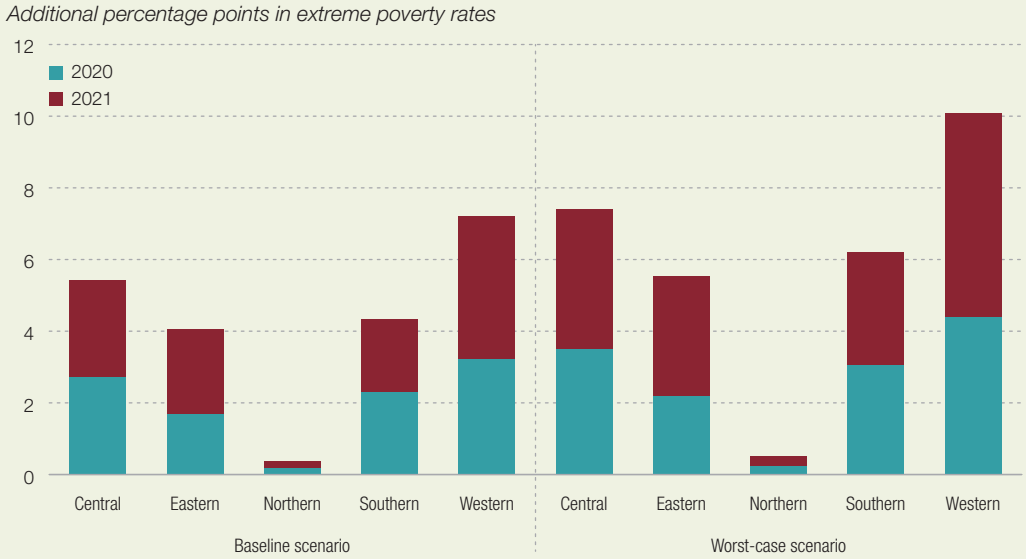
Some 59–60 percent of Africa's new extreme poor would live in Central and West Africa in 2020, with fewer than 1 percent in North Africa (see figure 2.11).

IMPACT OF COVID–19 ON EMPLOYMENT AND LABOR MARKETS

COVID–19 would affect the quantity, quality, and vulnerable groups of Africa's labor market

The COVID–19 pandemic is expected to affect Africa's labor market outcomes in at least three

FIGURE 2.11 Three of five new extreme poor would be in Central and West Africa



Note: Projected extreme poverty rates and numbers of extreme poor are measured using the $1.90 a day poverty line in 2011 purchasing power parity.

Source: Staff computations using World Bank PovcalNet datasets, growth projections by African Development Bank Statistics Department, and population growth by United Nations Population Division.

ways: the number of jobs available, including for vulnerable and underemployed categories; the quality of existing jobs, including access to social protection and fair wages; and the effects on specific groups such as women and youth who are more vulnerable to labor market problems. Worldwide, the International Labour Organization's preliminary assessment indicates a rise in unemployment of 5.3 million in a low scenario, up to 24.7 million in a high scenario, from a base of 188 million in 2019. In Africa, African Development Bank estimates show that unemployment would surge more severely, given the already vulnerable nature of most jobs on the continent.

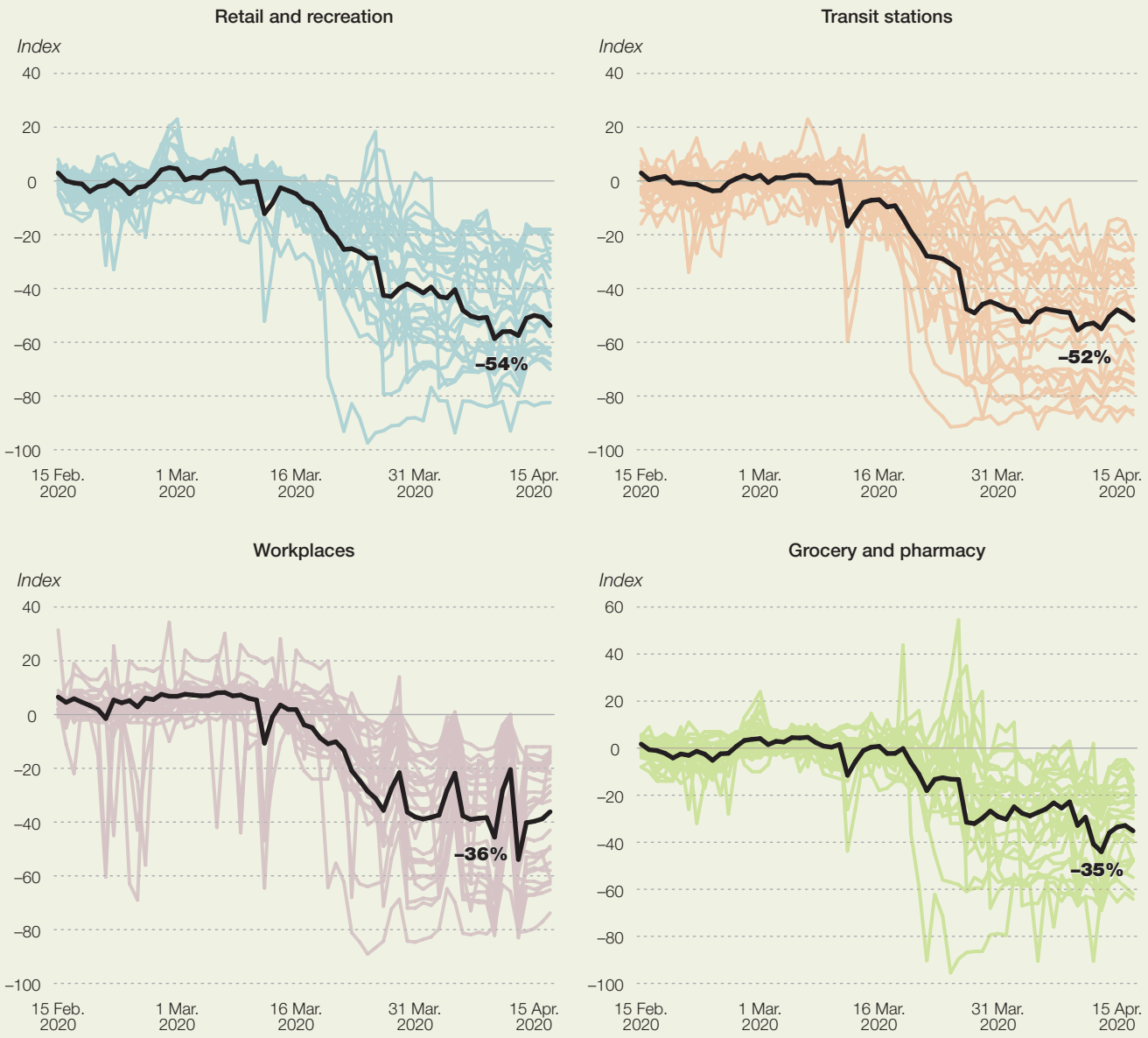
An estimated 25 to 30 million jobs could be lost due to the pandemic

About 773.4 million Africans were employed in 2019, projected under the pre-COVID–19 assumptions to grow to 792.7 million in 2020. Africa's employment elasticity of growth based on historical data since 2000 shows that for every 1 percent growth in GDP, employment grows by 0.4 percent. This relationship implies that the 2020 recession could result in millions of vulnerable workers losing employment. Under the baseline scenario of a –1.7 percent GDP contraction, employment is projected to decline by 24.6 million jobs in 2020. Under the worst-case scenario of a –3.4 percent GDP contraction, up to 30 million jobs could be lost. The brunt will be mostly felt by the working poor, who account for almost half of the employed. And the crisis would also affect the nature of surviving jobs, since wages and working hours for those in the formal sector would be downgraded, and the number of workers switching to informal sector jobs would increase as a survival strategy to maintain incomes in the face of lockdowns and restrictions.

Measures to contain the spread of the virus aggravate the impact of the pandemic on unemployment. These include social distancing, movement restrictions, and general lockdowns. The measures have been slowing the spread of the virus, but have halted economic activity in the affected regions. Data from Google COVID–19 Community Mobility Reports show a stark decline in the mobility of people as social distancing and lockdowns take hold across countries in Africa.[24] The reports show changes in visits to such places as recreation centers, grocery stores, parks, and workplaces compared with the baseline weeks of January 3–February 6, 2020.[25] The average community mobility has declined by up to 44 percent compared with the median value of the corresponding day in the five-week baseline period of January 3–February 6 (figure 2.12). The decline goes across the board in retail and recreation activities, with visits to cafes, restaurants, theme parks, movie theatres, and shopping centers declining by 54 percent and use of transit stations by 52 percent, followed by workplaces (36 percent) and grocery, drug stores, pharmacies, and food warehouses (35 percent). The various measures that governments put in place to limit social contacts have, thus, considerably limited people's movement. In short, COVID–19 has put many African economies into a "medically induced coma." Policymakers now have to plan a strategy to exit the lockdowns and get people back to work without compromising public health and safety.

COVID–19 has put many African economies into a "medically induced coma"

FIGURE 2.12 Average community movement has come down across the board



Note: Charts show an average of 28 African countries' community movement.

Source: Google COVID–19 mobility database.

3 POLICY OPTIONS FOR A COVID–19 ENVIRONMENT AND BEYOND

Given the global scale of the COVID–19 pandemic and its repercussions, governments and development partners must respond in a coordinated, targeted, and rapid manner to be effective in limiting its impacts.

Across Africa, the response must be well-sequenced and multipronged, involving: a public health response to contain the spread of the virus and minimize fatalities, a monetary policy response to ease liquidity constraints and solvency risks, a fiscal response to cushion the economic impacts of the pandemic on livelihoods and to assist businesses, labor market policies to protect workers and their jobs, and structural policies to enable African economies to rebuild and enhance their resilience to future shocks.

PUBLIC HEALTH RESPONSES

Develop effective information sharing and communication strategies

Experience so far has shown that the population's perceptions and response to the pandemic are of major importance. This implies:

- Early dissemination of accurate information on the coronavirus symptoms, prevention, and treatment to contain its spread and reduce public panic and misinformation.
- Emphasis on precautionary and preventive measures to ensure that people stay safe.
- Local community leader involvement in countries where populations are suspicious of public servants and governments lack credibility.
- Scaling up of call centers to provide to larger segments of the population up-to-date information and advice.
- Strategic partnerships with the private sector, especially telecommunication firms, to ensure rapid collection and transmission of data/information for resource planning and testing campaigns.[26]
- Lowering internet access costs through zero rating of data (free access) citizens use to access critical publicly run websites to obtain accurate information on the virus.[27]

Redirect resources to the public health sector and develop sound health emergency plans

The pandemic has highlighted the parlous nature of Africa's health system as well as the inadequacy of emergency preparations. In the short run, African countries should tap into existing resources to invest in health infrastructure for detecting, testing, confining, and treating COVID–19 infected people. This could be done by:

- Reinforcing the detection, tracing, and treatment capacities of existing health care facilities and constructing temporary mobile hospitals with testing and information kits to strengthen epidemiological surveillance.
- Supplying physicians with enough protective personal equipment (gloves, medical masks, goggles or face shields, gowns, respirators, and aprons) to minimize the risk of infection.
- Building isolation centers for suspected cases, disinfecting public spaces (streets, markets, or buses), and screening passengers at national airports.
- Supporting domestic pharmaceutical industries to produce needed medical equipment at affordable prices.
- Recalling retired health care workers or medical personnel on a voluntary basis from underaffected regions and mobilizing final-year medical students to reinforce capacities in highly COVID–19 infected regions.

Invest in health preparedness to update and upgrade healthcare systems

Governments need to make investments to upgrade, update, and extend existing health infrastructure, which is often in poor condition. They could achieve this by increasing the treatment and bed capacities of existing healthcare facilities and creating new facilities—especially in underserved regions such as remote and rural

African countries should invest in health infrastructure for detecting, testing, confining, and treating COVID–19 infected people

areas—to increase surveillance capacities. Policymakers also need to provide up-to-date medical equipment and supplies for healthcare facilities: personal protective equipment, diagnostic equipment, biomedical equipment for case management, essential drugs for supportive care, and consumable medical supplies.

In the long run, large investments in health preparedness are required to update and upgrade Africa's health care systems. The COVID–19 pandemic should be a wake-up call for African countries to urgently strengthen their health systems and build their resilience against future shocks. Preparedness is the single most important factor that would make a country able to deal with health shocks and to recover early from their effects. African governments need to develop and implement bold public health policies to address the human, material, and financial structural deficits of their systems.

Large investments in health preparedness are required to update and upgrade Africa's health care systems

Increase the number of healthcare workers

The number of highly qualified healthcare workers must increase. Africa's education systems must change to prioritize public health curricula and improve the quality of the programs offered to students. Policy actions include measures such as:

- The development of merit-based student scholarship programs to give equal chances to brilliant students from poor backgrounds.
- The recruitment and retention of competent full-time faculty to ensure good-quality teaching.
- The creation of postgraduation public employment schemes to reduce high unemployment rates among young graduates.
- Regular public health training programs to keep healthcare worker knowledge up to date.

Elevate the health system among development priorities

Allocating more financial resources to the health system will be fundamental to remedying the structural underinvestment. The health sector would need to become a top priority of African governments in their development agenda, or else the continent will remain unprepared to respond to future health shocks and mitigate their economic impact. Some countries have allocated more resources to fight COVID–19, but this budget designation should not happen just once—it should become the new normal. Public health expenditures should meet and, ideally, surpass, WHO's recommendations ($86 per capita for low-income countries) if African countries are to catch up with other regions, reach universal health coverage, and alleviate the burden of out-of-pocket health spending. Establishing public health insurance programs covering all inhabitants could also improve the preparedness of healthcare systems.

Learn from other countries' experience

African countries could learn from other countries' experiences in developing public health policy responses to COVID–19. South Korea has been praised for its measures to contain the spread of the coronavirus, thanks to early implementation, strong surveillance apparatus, citizen engagement, high flexibility to adapt to the virus's evolution, and use of modern digital technologies (box 3.1). Korea successfully flattened the curve on COVID–19 in only 20 days without extreme measures restricting people's movement. African countries such as Rwanda and Senegal are reporting good results in containing the pandemic thanks to early detection, testing, and treatment measures while others have announced special COVID–19 emergency budgets to prioritize resources toward economic and social relief (see table A.2 in the annex).

FISCAL POLICY RESPONSES

Governments with fiscal space can help the businesses and households most affected stay afloat through targeted temporary tax relief, cash transfers, and hardship allowances.

Support households

The extent of assistance will depend on domestic economic architecture. Governments can support those who have been laid off from their jobs or lost their livelihoods with measures such as:

- Cash transfers, extension of the period for filing taxes for affected businesses, or temporary subsidies to affected industries.

BOX 3.1 Lessons from Korea's response to COVID–19

In late February 2020, an unexpected spike in the number of infections in the city of Daegu made South Korea the country with the second-highest of COVID–19 infections after China. The Korean government reacted promptly with bold and innovative measures and quickly flattened the curve even without imposing a major lockdown.

Korea's experience illustrates how well-planned and well-implemented policies can contain the spread of the virus and minimize its damage to the economy. Korea took the following key measures, which African policymakers may emulate.

Proactive identification, tracing, and isolation using information technology. Korea's diagnostic testing was not limited to those with symptoms of COVID–19. The Korean antipandemic authority chose to take preemptive measures to trace potentially infected people with no symptoms. Those in close contact with the infected were required to get tested, while indirect contacts were ordered to self-quarantine for 14 days. Nearly all Korean citizens have smartphones and use credit cards, so when someone tests positive, the government can trace where they have been, at what time, and what mode of transportation they used. With these data, the government traces the potentially infected population. Inbound air travelers are required at the airport to download the self-diagnosis app on their phone and self-report any symptoms through the app. Thus, the movements of those who test positive become traceable and their neighbors receive alerts. The government announced that it would cover all medical costs associated with COVID–19 for its citizens and foreigners staying in the country. No one had a reason to hide for fear of the cost burden.

Control of national medical capacity. The government ensured that all medical staff could be supplied with protective gear, including garments and masks. Clinics are faster and safer, reducing the risk of cross-infection between medical professionals and visitors. Those who tested positive were quickly transferred to units with different levels of care, depending on their condition. Efficient allocation of limited medical resources enabled medical professionals to focus on those in critical condition and thus reduce the death rate. The government regularly evaluated how patient numbers matched the country's medical capacity.

Face masks and social distancing. People were protecting themselves with masks even before the government guidelines on masks were announced. In the early phase of the outbreak, masks were in short supply in Korea as people rushed to stock up. The government quickly intervened by encouraging mask manufacturers to increase production, banned overseas sales, and limited the number of masks an individual could purchase weekly at pharmacies.

Keeping the economy afloat. The Korean government unveiled 32 trillion won ($1.2 billion) worth of support through four rounds of emergency economic intervention to stimulate the hard-hit economy and prevent financial market volatility.

Core success factors for Korea

Three core success drivers combined in Korea:

- *Transparency.* The government made a conscious effort to create trust by communicating transparently and bearing the financial burdens of treatment. All the relevant information was provided transparently in real-time to the public.
- *Technology.* Information and communication technology accurately identified people and swiftly located their contacts. Massive research and development in virus control and investment in inventing testing kits in nonpandemic times bore fruit.
- *Trust.* The government relied on people's voluntary cooperation based on their trust in public anti-epidemic authorities. Trust minimized public anxiety and solicited greater participation and cooperation from the general population in social distancing.

- Temporary extension of eligibility and coverage of social safety net programs such as unemployment insurance and social security in countries with well-functioning social protection programs.
- Relief assistance such as food (rations or vouchers) for low-income households in coordination with mechanisms such as those utilized by nongovernmental organizations.

Help businesses stay afloat

For firms, revolving funds at the central bank, grants, and soft loans can be extended to small

and medium enterprises unable to fully absorb disruptions to their operations. Governments can also extend the period for filing taxes or offer tax moratoriums to affected business, helping those struggling from the shock to stay afloat. Vulnerable sectors and economic activities dominated by self-employed persons can be targeted through special relief measures to lower business costs. For specific industries such as manufacturing, transport, and travel and tourism, government assistance can expand to include waivers on specific levies such as accommodation surcharges, tax credit for facilities such as warehouses and workshops, and import tax exemptions for inputs.

Central banks should act quickly by cutting interest rates to inject liquidity

MONETARY POLICY RESPONSES

Ease financial conditions

Central banks should act quickly to counteract tightening financial conditions by cutting interest rates to inject liquidity. Businesses report higher costs of borrowing as banks suspect consumers and firms may not repay loans on time. Those costs can act as a drag on growth when firms and consumers postpone investment and consumption decisions as financial insecurity due to low sales from lockdowns and supply disruptions constrain their liquidity. Targeted interventions should be implemented for affected firms and sectors. Central banks provide targeted liquidity to financial institutions that lend to small and medium enterprises and vulnerable members of society (see table A.1 on selected government and central bank actions in Africa).

Use macroprudential and unconventional monetary policy to support the economy

Macroprudential policy and unconventional monetary policy should be used by central banks to support sectors most affected by the shock. Central banks could resort to their forms of quantitative easing, targeted at funding the most affected sectors such as firms in the hospitality and entertainment industry—airlines, hotel chains, logistics, and sports—by temporarily reprofiling or restructuring their debts. To support vulnerable groups, a program could be targeted to micro enterprises and the unbanked in the informal sector, financed by government and potentially run by other agencies closer to the ground. Although African banks now are generally more financially resilient than they were during the 2008–09 global financial crisis, large swings in asset prices and defaults on loans and other contingent liabilities may materialize. So, central bankers should supervise the temporary restructuring of risky or defaulting loans in the banking sector to preserve the health of the financial sector and prevent any systemic crisis in the banking sector.

LABOR MARKET AND INFORMAL SECTOR RESPONSES

The impact of COVID–19 on Africa's labor markets will have disproportionate impacts on vulnerable groups, notably youth and women, who are engaged in the informal sector, or with only casual job opportunities in the formal sector.

Assist vulnerable groups, especially youth and women

Though affecting all segments of the population, the COVID–19 pandemic can have differentiated socioeconomic impacts due to the vulnerability of people. Inequalities that are already an issue in African countries may be aggravated, and women and youth can be further exposed. Women in the health sector have a higher risk of exposure to and contamination by the coronavirus as they account in most countries for about 70 percent of health and social workers. Women's vulnerability is further compounded by the fact that they are less likely than men to be in full employment, and more likely to experience a gender pay gap[28] and to be employed in the informal sector (79 percent against 68 percent for men).[29] Anti-COVID–19 policies such as lockdowns and closures of nonessential businesses will also disrupt women's economic activities and jeopardize the livelihoods of their families, especially if they are the main breadwinners. This situation requires carefully designed policies targeting people in vulnerable situations:

- For formal sector workers, governments could defer payroll taxes for small and medium enterprises (a third of them being owned by women),[30]

or create mechanisms facilitating commercial credit lines that would be publicly funded.

- For workers in the informal sector, an option is to provide cash transfers by using digital technology tools such as mobile money transfer, but also by proceeding to the distribution of food staples, water, and hygiene products that may reach them faster, particularly if they are not digitally connected.
- Short-term incentives to healthcare and social workers such as bonuses, and in the medium-to-long term measures to address the gender pay gap.

Reports from various countries such as China, the United Kingdom, and the United States suggest an increase in domestic violence cases since the beginning of the COVID–19 outbreak.[31] This is because there are fewer social interactions with family, friends, and communities. And a higher level of stress caused by economic hardship can raise the probability of intimate partner violence.[32] Policies addressing violence against women during the coronavirus pandemic can consist of:

- Providing to women easier access to hotlines, shelters, and social workers as well as the relevant information on how they could reach them.
- Including the fight against domestic violence among the top priorities of the COVID–19 responses.

The COVID–19 outbreak has also disrupted young people's education with, at some point about 90 percent of enrolled learners out of school.[33] These school-age children might not go back to school, especially in Africa where dropout rates are the highest in the world.[34] While many developed countries can ensure little to no disruption in learning programs by using digital tools, most African countries do not have the means to do so. African policymakers should therefore ensure that:

- Learning continues by providing young people with educational programs on the radio and television, which helped during the Ebola crisis in Sierra Leone and Liberia.[35] In addition, governments could partner with private internet providers to facilitate zero-rating of data linked to educational services such as online schooling platforms.
- Ensuring that each and every child goes back to school in the aftermath of the pandemic. This requires supporting parents financially affected by the outbreak to give them the means and incentives to send back their children, especially girls, and ensuring that parents see school as safe by giving them relevant information.

Pursue active labor market policies to protect workers and their jobs

Governments should protect workers by encouraging flexible working arrangements such as teleworking and by providing employment retention guarantees, collectively financed paid sick leave, and parental care leave to ensure income security for those who are sick, quarantined, or caring for children. They should extend universal access to collectively financed health services for all, including informal, unemployed, and uninsured workers and their families.[36]

Governments should extend universal access to collectively financed health services for all

STRUCTURAL REFORMS

Beyond the short-term stabilization policies highlighted above, African countries should also be mindful of structural reforms needed to build a more resilient economy. Current strategies to contain the spread of COVID–19 are mostly policies aimed at immediately mitigating the health and economic effects of the pandemic but do not address underlying structural bottlenecks that make the continent more vulnerable to future shocks. Countries, therefore, need to think of long-term strategies that will not only help their economies recover and thrive faster after COVID–19 but also be resilient to future shocks. The nature of the policies that will be put in place in the aftermath of the pandemic will be decisive for African countries in determining the long-term economic trajectory.

Three lessons from the COVID–19 pandemic can shape structural policies to build a more resilient African economy.

Accelerate structural reforms to rebuild Africa's productive base

First, the pandemic has brought into sharp focus Africa's weak productive base and overreliance on

extracontinental trade. Africa is the least industrialized world region and accounts for less than 3 percent of global manufacturing output. Only 15.8 percent (13.3 percent) of total exports (total imports) of merchandise were within the continent in 2018 compared with 54.3 percent (39.2 percent) in America, 60 percent (61.9 percent) in Asia, and 68.7 percent (65.9 percent) in Europe. Furthermore, only a small fraction of commodities (in particular, agricultural products and minerals) and oil undergo initial stages of industrial transformation before being exported, severely diminishing their value added.

The continent is not only at the mercy of global shocks but also lacks sufficient productive capacities to cushion their economic effects. Policymakers should thus design structural reforms to revive Africa's productive base and increase its industrial self-reliance. Possible policy actions include:

Policymakers should design structural reforms to revive Africa's productive base

- *Increasing productivity and address obstacles to the business environment.* This will require investing in human capital to build a workforce with the skills required by high-productivity sectors. This is particularly important for the manufacturing sector, since the continent boasts few scientists and engineers, with the share of students enrolled in engineering, manufacturing, and construction range from as low as 3 percent in Burundi to only 12.8 percent in Morocco, compared with at least 20 percent in Austria, Germany, Malaysia, and Mexico. Reforming national education systems to respond to the requirements of increasingly sophisticated industrial and manufacturing sectors will thus be needed. It will also require bridging the infrastructure deficit to support Africa's industrial development. Infrastructure deficiencies have been estimated to account for 30–60 percent of the negative effects on the productivity of African firms, while power outages cost about 5 percent of annual sales and are cited as the most important obstacle to doing business in Africa by manufacturing firms.[37] Investing in modern infrastructure or rehabilitating existing infrastructure should be one of the post-COVID–19 policy priority of African policymakers. Other barriers to business include lack of access to affordable financial instruments, political instability and corruption, cumbersome customs regulations, and inadequate protection of property rights. The African Development Bank has estimated that between 1.3 and 3 million jobs are lost every year in Africa due to these hurdles. Efforts made by African governments over the past two decades to improve the business environment should be scaled up, and reforms extended to address all identified obstacles.
- *Fostering structural transformation to reduce economic dependence, and external vulnerability.* The coronavirus pandemic reinforces developing countries need to modify the structure of their economies in order to adapt to a changing and increasingly volatile world economy. Most African countries still depend on export revenues from raw materials, with limited diversification of their productive structures. The COVID–19 crisis has brought to light the limits and unsustainability of an economic model that makes countries highly dependent on external partners and significantly reduces their room for maneuver. Carefully targeted policies that boost agricultural productivity and move labor from low-productivity to high-productivity sectors are needed. Sectors such as agro-processing, digital technologies, information and communication technology-based services, and trade logistics, which have proved important during the pandemic, require government intervention to support their development and improve their competitiveness.

Address obstacles to formalizing the economy

The high informality of African economies has impeded the practicality and relevance of anti-COVID–19 policies such as complete lockdowns of cities or temporary tax breaks. Africa is estimated to have the world's highest rate of informality, at 72 percent of nonagricultural employment, with no evidence of a decline.[38] These informal workers depend on daily earnings and cannot stock up on food for days or afford to stay at home. Typically excluded from formal financial institutions, they normally borrow from relatives or other informal lenders. Lowering the barriers to formalize large swaths of workers and businesses will be important to build greater resilience of

African economies after the COVID–19 crisis. Two key areas:

- *Easing business registration formalities and adapting tax rates.* Complex business regulations may push informal businesses to shy away from formalization as they fear being overwhelmed by tax administration requirements or exposed to large tax bills. Measures to create a business-friendly regulatory environment such as the simplification of administrative procedures and tailored tax incentives during the formalization process are therefore crucial. Tax exonerations during a defined period of transition to the formal sector are a good incentive for informal businesses. In addition, creating one-stop shops for business registration and rationalizing business registration and licensing regimes could greatly facilitate the process.
- *Emphasizing the opportunities and gains of formalization.* Aggressive sensitization and information campaigns can highlight the opportunities from formalization such as higher and more stable incomes, greater social protection and insurance programs, access to capital from formal financial institutions, and hence greater possibilities to extend business and increase profits. The overarching objective of these campaigns is to demonstrate that the benefits of formalization outweigh its costs.

Rethink social protection programs for maximum coverage

Finally, the absence of well-functioning social protection programs and social safety net schemes amid anti-COVID–19 measures have pushed thousands of workers into economic desperation and increased their risk of unemployment. Although 45 African countries have established social safety net programs by 2017, compared with only 18 in 2000,[39] only a small fraction (around 20 percent) of their populations are covered by social safety nets, pension schemes, or social protection programs.[40] These social safety net programs typically cover formal employees or retirees and exclude self-employed and informal workers. To fight the COVID–19, 26 African countries have established 56 types of social assistance programs (such as cash transfers, in-kind food transfers, and voucher schemes) and three types of social insurance programs (paid leave, pension increases, and social security contribution waivers or subsidies).[41] But these measures are only short-term actions and quick fixes that will not change the structure of Africa's social safety net and social protection programs without profound reforms and extension of coverage to adapt to post-COVID–19 society. Doing so requires innovative approaches that are flexible and adapted to the needs of informal workers. The Informal Sector Fund in Ghana, for instance, allows informal workers to contribute voluntarily to a retirement fund, while the Mbao Pension in Kenya targets workers in the informal sectors who can make voluntary payments into the scheme through the mobile money transfer service M-Pesa. Carefully tailored schemes and well-thought-out incentives can encourage informal businesses to sign up for pension schemes. For example, lowering the level of contributions for low-income self-employed people could motivate them to join. Countries could also target specific groups of workers in a particular sector. For instance, South Africa has expanded unemployment insurance to domestic workers while Algeria and Tunisia require self-employed individuals to sign up for social security schemes.

Carefully tailored schemes and well-thought-out incentives can encourage informal businesses to sign up for pension schemes

SUSTAINABLE STRATEGIES FOR REOPENING ECONOMIES AND ACCELERATING RECOVERY IN AFRICA

Many countries in Africa responded to the COVID–19 pandemic w-ith lockdowns, quarantines, and physical distancing, which shut down economic and social activity to varying degrees. Some countries have implemented partial lockdowns (such as Côte d'Ivoire) or total lockdowns (such as South Africa), but most have restricted movement and economic and social activities. With the recent flattening of the infection curve in some countries, a few have started to reopen their economies and get people back to work.

Strict lockdowns and quarantines have helped contain the spread of the epidemic, but they are very costly and can even have adverse economic

effects in Africa with risks of social unrest. Moreover, prolonged severe lockdowns could lead to non-compliance with protective measures and even the development of an underground economy: unauthorized activities that could become more lucrative and defying the established rules could spread the virus, not contain it. Lockdowns can also have health costs, with many other diseases receiving less attention and fewer resources, or with people scared to go to the hospital to treat other conditions.

Governments must thus tailor the fight against COVID–19 to the structure and realities of the economy. With the large size of the informal sector, the proportion of people with vulnerable jobs, and the lack of social safety nets, it is very difficult to keep restrictive measures such as lockdowns or quarantines for an extended period. That would put jobs in the formal sector at risk and make those in the informal sector even more vulnerable.

Policymakers must evaluate the tradeoffs they face between reopening economies and keeping the coronavirus in check

Evaluating and outlining strategies

Policymakers must evaluate the tradeoffs they face between reopening economies and keeping the coronavirus in check. The aim is to limit both the economic cost of severe lockdowns and the number of cases, a difficult dilemma. One approach is a more targeted set of measures, such as identifying and protecting people with underlying conditions, and thus with a higher risk of complications from the coronavirus, and those aged above 65 years old—and restricting their mobility during the initial stages of reopening economies.

The recovery is likely to be volatile and uneven, requiring governments to follow a carefully planned and sequenced adaptive strategy that allows for continual adjustment, as new information becomes available and events unfold. Relevant lessons may come from other geographies, particularly from those at a more advanced stage of the pandemic timeline. To reopen economies, policymakers must first outline their strategy on the basis of a consistent national framework with effective local implementation and manage associated uncertainty and fears of the public. That requires transparency to build public trust and buy-in for the strategy, especially since the probability of a rebound is likely with the economies reopening.

With a "zero tolerance" approach, governments would refrain from reopening economic and social activity until there are zero or no reported new cases of the infection. This is unlikely to be a realistic option in Africa. It would take much longer to reopen and have unbearable costs for economies that need to restart quickly. More pragmatically, governments could follow a "staggered" approach to reopen their economies.

Under the staggered approach, governments would reopen economic and social activity in a phased and incremental manner even before the number of new cases falls to zero while observing the progression of the disease, but only when the number of new cases is on a downward trend and after ensuring that the capacity of the healthcare system has been ramped up to deal with a sudden resurgence of infections. Economic activities can be restarted incrementally on the basis of their transmission risks. Businesses with low-to-medium transmission risks such as manufacturing, construction and some retail services can be reopened first.

Next, governments should observe whether there is a rebound of cases of infection, before proceeding to reopen economic activities with high transmission risks such as hotels, schools, restaurants, sports, and entertainment. Teleworking, though feasible for only a small portion of the working population, should remain in place where possible and where physical presence in the workplace is not essential. This approach is more viable for many countries in Africa that cannot afford to rapidly build the health infrastructure required to quickly reopen their economies while keeping economic activity closed. Before reopening, governments need to explain to the public the timing for reopening, how the progressive easing of containment measures will be managed, and how they are accounting for and dealing with uncertainties.

Preconditions for reopening economies

Governments should determine the timing to reopen their economies by defining preconditions that need to be satisfied at the national and subnational levels before businesses, schools, and society can restart their normal activities. At least

four health-related preconditions need to be satisfied before economies are reopened. The upward curve of infections should have flattened and be falling before reopening. Health systems must be upgraded to the point that they can handle the flow of patients. Capacity must be ramped up for testing, contact tracing, and quarantines to keep the possibility of a second wave of the virus in check. These and other criteria for reopening economies are in table 3.1.

Phasing out of fiscal and monetary policy interventions

Timely and coordinated sequencing will be required for phasing out fiscal and monetary interventions. The key challenge facing policymakers will be to balance the tradeoff between unwinding such policies too early, which would jeopardize progress in alleviating the impacts of the pandemic on most affected people and businesses and could lead to business failures down the line, and maintaining the interventions for too long, which would create risks to fiscal, macroeconomic and financial stability. This requires appropriately phasing out the exit strategies in line with the depth and duration of the pandemic as well as the available policy space. The exit strategies adopted will need to follow a staggered or phased-in approach as well.

An effective long-term exit strategy that reassures investors and the public needs to be flexible, coherent, credible, and clearly communicated.

- Strategies should adjust the form and pace of unwinding in response to unforeseen developments related to containing the pandemic. For instance, exiting fiscal and monetary measures should not involve a single, one-time decision, but should be grounded on a series of evolving decisions and tradeoffs, considering the severity and duration of the pandemic.
- The strategy must also aim to restore the role of market forces, especially in sectors where the government has taken on a larger role during the pandemic. Failing to do so could have long-lasting effects on economic growth.
- Plans for exit should be established early and communicated clearly and consistently by policymakers, to reduce uncertainty, set expectations, and gain public support.

A long-term exit strategy needs to be flexible, coherent, credible, and clearly communicated

TABLE 3.1 Gauging country preparedness to reopen economies

Dimension of preparedness		Criteria for gauging readiness to reopen
Health system preparedness	Infection rate in country and locality	• Reductions in the number of cases should be sustained for at least 14 days • Deaths from the virus should be falling
	Health system capacity	• Increase in the number of critical care hospital beds made available • Increase in the number of respirators per adult population • Number of patients requiring intensive care below target for capacity for 7 days
	Virus monitoring and contact tracing	• Increase capacity to carry out widespread testing, prioritizing patients with symptoms, their close contacts, health workers, people at risk, and those returning to work • Measures in place to screen large numbers of asymptomatic patients and identify immunity • Capacity to trace at least 1 or 2 percent of contacts for infected individuals
Private sector preparedness	Readiness of business and private sector	• Availability of protective equipment such as masks for the entire population. • Availability of disinfectants and cleaning capacity • Adoption of distancing guidelines including floor marking and signage
Public sector preparedness	Public response	• Comprehensive information dissemination and training on hygiene measures available • High enforcement and compliance capacity for reopening guidelines

Source: Adapted from Brimmer et al. (2020).

ANNEX

BOX A.1 Our approach to simulate the poverty impact of the COVID–19 in Africa

To assess the poverty implications of the COVID–19 in Africa, we used microdata from household surveys and applied the growth forecasts from our macroeconomic modeling exercise. Our simulations are based on household surveys of 50 African countries from the World Bank's PovcalNet datasets. These nationally representative data are standardized as far as possible for the method of data collection and computation of welfare indicators and poverty measures. We proceeded as follows:

1. Our starting point is the latest available survey for each African country. If this survey was conducted prior to 2019, we first brought the distribution of real per capita consumption (our proxy of household welfare) to 2019. For that, we assumed that our welfare indicator grew following each country's growth rate of real per capita GDP without changing the consumption distribution.[1] In other words, we assumed that growth has been distribution-neutral between the year of the latest available data and 2019.
2. We finally computed the poverty impact of the pandemic as the difference between the simulated rates of extreme poverty under the baseline or worst-case scenario and the rates that could have been observed if the coronavirus had not occurred. The same approach was applied to estimate the number of additional extreme poor due to COVID–19. These simulations were done using our growth scenarios for the no-outbreak, baseline, and worst-case scenarios and projected population from the United Nations Population Division.

By applying country-specific economic growth projections instead of imposing a uniform set of assumptions for all countries, we accounted for country heterogeneity in vulnerability, resilience, and mitigation strategies synthesized in the projected per capita real GDP growth.

Notes

Data are not available for Equatorial Guinea, Eritrea, Libya, and Somalia.

1. Lakner et al. 2019.

TABLE A.1 Summary of scenario assumptions

Scenario	Duration and spread of COVID–19 outbreak	Specific scenario assumptions
Baseline	First half of 2020, with lockdowns ending by middle of the year	• Oil and commodity prices drop by 60 percent from their level in January 2020. • Financial flows (FDI, loans, portfolio investments, and remittances) to Africa decline by 60 percent. • Tourism to Africa declines by 80 percent as a result of travel restrictions. • Capacity utilization and total factor productivity decline by 60 percent due to lockdown of cities, absenteeism from the outbreak, postponement of construction, and disruption in supply chains.
Worst-case	The whole year 2020, with lockdowns extending beyond the middle of 2020	• Oil and commodity prices drop by 80 percent from their level in January 2020, with the fall in global demand and the excess supply. Thus, oil prices are assumed to be $15–20 per barrel. • Financial flows (FDI, loans, portfolio investments, and diaspora remittances) to Africa decline by 80 percent, as a result of investor flight to safety and constrained liquidity. • Tourism to Africa halts completely as a result of the total ban on travels and social separation. • Capacity utilization and total factor productivity decline by 80 percent due to lockdown of cities, absenteeism from the outbreak, postponement of construction, and disruption in supply chains.

Source: Staff assumptions based on evolving trends.

TABLE A.2 Some policy actions of selected African governments to counter COVID–19 effects

Country	Action
Central Bank of West African States	• A total of 340 billion CFA francs provided to commercial banks for on-lending. • Relaxation of the mechanisms for commercial banks to access funds for refinancing. • Request to commercial banks to extend repayment deadlines for loans to SMEs/SMIs. • Adjustments made to the timetable for issuing government securities on the regional financial market to ensure that liquidity in the market is not reduced.
Central Bank of Central African States	• Reduction of the benchmark policy rate by 25 bps to 3.25 percent. • Reduction of the Marginal Lending Facility rate by 100 bps to 5 percent, increase of the liquidity provision from FCFA 240 to 500 billion, and a broadening of the type of private instruments accepted as collateral in monetary operations. • Commercial banks have been allowed to use up to 2.5 percent of their capital reserves at the Central Bank to write off losses arising from operations hit by the pandemic-related losses subject to restrictive policy regarding dividend distribution. • A one-year moratorium on principal repayment of consolidated Central Bank's credits to member states.
Gabon	• Contraction of nonpriority expenditure expected to save about FCFA 17 billion (0.2 percent of GDP) to be used for COVID–19-related spending. • A solidarity fund of around $42 million to support the most vulnerable households through the payment of their water and electricity bills, the creation of a food bank, and other channels. • Facilitating private company (including SME) access to bank financing through a $375 million credit facility.
Côte d'Ivoire	• CFA 650 million to finance the prevention and care plan for the pandemic. • Direct tax relief to be decided in the context of an individualized examination of requests. • 1,500 euros aid for all small businesses, self-employed, and microenterprises through the solidarity fund. • Allocating FCFA 25 billion to the trust fund of the West African Development Bank (BOAD) to increase the amount of concessional lending to eligible countries to finance urgent investment and equipment expenses. • Communicating on the special program for refinancing bank credits granted to SMEs. • Initiating negotiations with firms issuing electronic money to encourage using it. • Ensuring adequate provision of banknotes for ATM operations.
Democratic Republic of Congo	• A national plan elaborated by the government with a budget estimated at $135 million (0.3 percent of GDP) to deal with the COVID–19 and its economic consequences. • Reduction of the Central Bank's policy rate by 150 bps to 7.5 percent. • Provision of long-term credit financing facilities for commercial banks of up to 24 months to support the provision of new credits for the import and production of basic products.
Egypt	• $6.4 billion in economic stimulus packages. • Government-ordered postponement of all loan installment payments for small, medium, and micro enterprises for six months. • Central Bank of Egypt cuts interest rate by 3 percent, bringing the overnight deposit rate to 9.25 percent and lending rate to 10.25 percent, while the main operation and discount rates were both cut to 9.75 percent. • The moratorium on the tax law on agricultural land was extended for 2 years. The stamp duty on transactions and tax on dividends were reduced. The capital gains tax was postponed until further notice.
Ethiopia	• The National Bank of Ethiopia plans to inject 15 billion Ethiopian birr (roughly $456 million) as additional liquidity for private banks.
Morocco	• A $1 billion fund. In addition to covering the costs of upgrading medical devices, it will finance measures to support vulnerable sectors such as tourism, to preserve jobs and mitigate the social impact of the crisis.
Nigeria	• Central Bank of Nigeria (CBN) has established a 50 billion naira (about $165 million) targeted credit facility for small and medium enterprises as well as households affected by the virus. • A reduction in interest rates from 9 percent to 5 percent for applicable lending intervention facilities set up by the CBN. The reduction took effect on 1 March and includes loans extended via the Anchor Borrowers, Commercial Agricultural Credits Scheme, Micro, Small, and Medium-scale Enterprises, or Agri-Business/Small and Medium Enterprise Investment Scheme (AGSMEIS) programs. • Extension of the grace period for the repayment of the loans by one year on all principal facilities, particularly intervention loans, effective 1 March 2020. • For businesses and households most affected by the outbreak of COVID–19, particularly oil and gas, agriculture, and manufacturing companies, the CBN also granted all deposit money banks leave to consider temporary and time-limited restructuring of their loan tenor and terms. • The government approved a three-month repayment moratorium for all TraderMoni, MarketMoni, and FarmerMoni loans to be implemented with immediate effect. • A similar moratorium was given to all federal government–funded loans issued by the Bank of Industry, Bank of Agriculture, and the Nigeria Export Import Bank.

(continued)

TABLE A.2 *(continued)*

Country	Action
South Africa	• Declaration of national disaster allows the government to shift funds: $30 million for disaster recovery projects and $300 million in a contingency reserve fund to tackle the outbreak in South Africa. • Activation of the National Disaster Relief Fund and setting aside $6 million for immediate assistance to individuals and families affected by the outbreak. • A tax subsidy of up to 500 rand a month for four months for private sector workers earning less than 6,500 rand a month. • Commercial banks exempted from provisions of the Competition Act to enable them to develop common approaches to debt relief.
Uganda	• Reduction of the central bank's policy rates: reduction of the benchmark interest rate by 1 percentage point to 8 percent; reduction of the rate at which the public may rediscount their securities from 13 percent to 12 percent, and reduction of the rate at which the central bank gives credit to commercial lenders from 14 percent to 13 percent. • Adoption by the government of a supplementary budget of approximately $81.3 million, of which $1.3 million comes from the contingency fund, to support essential sectors such as health and safety.

TABLE A.3 Country groupings

Oil exporters	Other resource-intensive	Non-resource–intensive	Tourist–dependent	Low–income	Middle–income
Algeria	Botswana	Benin	Cabo Verde	Benin	Algeria
Angola	Burkina Faso	Burundi	Comoros	Burkina Faso	Angola
Cameroon	Central African Rep.	Cabo Verde	Mauritius	Burundi	Botswana
Chad	Congo, Dem. Rep.	Comoros	São Tomé and Príncipe	Central African Rep.	Cabo Verde
Congo	Ghana	Côte d'Ivoire	Seychelles	Chad	Cameroon
Egypt	Guinea	Djibouti		Congo, Dem. Rep.	Comoros
Equatorial Guinea	Liberia	Eritrea		Eritrea	Congo
Gabon	Mali	Ethiopia		Ethiopia	Côte d'Ivoire
Libya	Namibia	Gambia		Guinea	Djibouti
Nigeria	Niger	Guinea-Bissau		Guinea-Bissau	Egypt
South Sudan	Sierra Leone	Kenya		Liberia	Equatorial Guinea
	South Africa	Lesotho		Madagascar	Gabon
	Sudan	Madagascar		Malawi	Gambia
	Tanzania	Malawi		Mali	Ghana
	Zambia	Mauritania		Mozambique	Kenya
	Zimbabwe	Mauritius		Niger	Lesotho
		Morocco		Rwanda	Libya
		Mozambique		Sierra Leone	Mauritania
		Rwanda		Somalia	Mauritius
		São Tomé and Príncipe		South Sudan	Morocco
		Senegal		Tanzania	Namibia
		Seychelles		Togo	Nigeria
		Somalia		Uganda	São Tomé and Príncipe
		eSwatini			Senegal
		Togo			Seychelles
		Tunisia			South Africa
		Uganda			Sudan
					eSwatini
					Tunisia
					Zambia
					Zimbabwe

Note: The oil exporters are economies for which net oil exports represent 25 percent or more of total exports. The other resource-intensive economies are those for which nonrenewable natural resources make up 25 percent or more of total exports. The non-resource-intensive economies are those not classified as either oil exporters or other resource-intensive countries. The tourist-dependent economies are highly vulnerable if tourism contributes more than 5 percent of GDP and 30 percent of exports. The low-income countries had per capita gross national income in 2018 equal to or lower than $1,025. Middle-income countries had per capita gross national income in 2018 more than $1,025.

NOTES

1. AfDB 2020.
2. IMF 2020a.
3. IMF 2020b.
4. IMF 2020b.
5. IMF 2020b.
6. Sancak, Velloso, and Xing 2010.
7. Chuku 2020.
8. FDI estimate for 2019 is from UNCTAD (2020).
9. IIF 2020.
10. https://www.who.int/health-topics/coronavirus#tab=tab_1. [Accessed April 23, 2020.]
11. WHO 2020a.
12. IHME 2016.
13. WHO 2020b.
14. *Le Monde* 2020.
15. This is following the approach by Raga and Te Veld (2020).
16. AfDB 2020.
17. To benchmark the likely impacts, note that during the oil price shock of 2014–16, real GDP growth for net oil exporting countries more than halved to 1.5 percent in 2016 from 3.3 percent the previous year, weighed down by Nigeria's recession. In contrast, real GDP growth for oil importing countries declined marginally to 3.1 percent in 2016 from 3.7 percent in 2015.
18. By end of 2018, African countries with international reserves corresponding to less than 3 months' worth of imports were: São Tomé and Príncipe, Tunisia, Guinea, eSwatini, Ethiopia, Gabon, Zambia, Congo, Democratic Republic of Congo, Djibouti, Burundi, Burkina Faso, Mali, Equatorial Guinea, Zimbabwe, Chad, and Benin.
19. Basu and Sen 2020.
20. Dowd et al. 2020.
21. These pair-wise correlation coefficients are significant at a 5 percent level. Countries with no fatalities. are excluded
22. Extreme poverty is defined as the number of people living below an income level of $1.90 a day, the Sustainable Development Goal threshold.
23. AfDB 2020.
24. https://www.google.com/covid19/mobility/.
25. Based on Google mobility data, the baseline weeks are used to compute the median value of the corresponding day in the five weeks from January 3 to February 6, as a benchmark for comparison.
26. For examples in South Africa and Tanzania, mobile telecommunications firms have provided smartphones and comprehensive data bundles for use by health authorities in geodata tracking and testing programs as well as epidemiological big data analytics.
27. To assist citizens in obtaining correct information and facilitate access to relief support, service providers in South Africa have for instance zero rated access to the COVID–19 website of the Department of Health as well as the Unemployment Insurance Fund. In Democratic Republic of Congo, Lesotho, Mozambique, and Tanzania, service providers have sought to encourage social distancing and ease the burden of restricted movements by waiving fees for using online payment platforms and mobile money transfer services.
28. Boniol et al. 2019.
29. AfDB 2019.
30. Dassanou et al. 2014.
31. Godin 2020.
32. Bhalotra et al. 2019.
33. https://en.unesco.org/covid19/educationresponse.
34. AfDB 2020.
35. GPE Secretariat 2014.
36. Boniol et al. 2019.
37. AfDB 2019.
38. AfDB 2019.
39. Beegle and Christiaensen 2019.
40. Zeufack et al. 2020.
41. Gentilini et al. 2020.

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COUNTRY NOTES

Algeria

Algeria reported its first COVID–19 infection on 25 February 2020, and by 26 May, it had 8,503 confirmed cases, including 4,747 recoveries, and 609 deaths.

Health sector preparedness

The 2019 Global Health Security Index ranked Algeria 173 among 195 countries globally, and 44 among 54 countries in Africa. Algeria is ranked poorly for detection capacity (124), compliance with international standards (184), and capacity to respond quickly to pandemics (181).

Macroeconomic prospects

Highly dependent on world oil prices, with oil exports representing more than 93% of total exports and the main source of state income, the Algerian economy has been severely affected by the fall in oil prices since 2014 and the consequent fall in value of its exports. Real GDP growth, which stood at 3.2% in 2016, fell to 0.7% in 2019. In addition to the fall in the added value of the hydrocarbon sector, growth was hindered by the slowdown in private consumption and the freezing of public investments as a result of budget cuts.

Now, real GDP is expected to contract by 4.4% in the baseline scenario, with the pandemic subsiding by July, and by 5.4% in the worst case, with the pandemic continuing through December (table). The potential loss of tax and nontax revenue linked to the drop in oil exports is expected to lead to double-digit budget deficits in both scenarios, and as much as 17% of GDP in the worst case. The current account deficit would follow that trajectory resulting from the freezing or postponing of certain foreign direct investments, which had been up by 22% in 2019. As a result, the current account deficit is expected to worsen by between 6.3 and 8.4 percentage points compared with the initial forecasts, and reach 20% of GDP in the case of the pessimistic scenario. Algeria would also suffer from the drop in remittances to the country from its diaspora, due to the general slowdown in economic activity in countries where its nationals live. Algeria is not expected to face inflationary pressures in 2020. In both cases, growth could rebound in 2021, benefiting from an expected improvement in hydrocarbon prices and a mechanical catch-up effect.

Policy responses

Since the appearance of COVID–19 in Algeria, the authorities have expanded measures to contain its spread. Actions to support the medical sector consist of an exceptional allocation to the Ministry of Health of 3.7 billion Algerian dinars (DZD) (about €27 million), and a one-time bonus for medical personnel. The government adopted a series of economic measures aimed at supporting economic activity, preserving employment, and limiting the deterioration of Algerian public and external accounts. Key measures include postponing tax returns and paying taxes, reducing the central bank's key rate to 3.25% (down 25 basis points), and lowering the reserve requirement rate from 10% to 8%. Social measures include paying at least 50% of the staff of institutions and public administrations on exceptional paid leave, paying an allowance of 10,000 DZD (€72) to 2.2 million poor families as part of solidarity operations during the month of Ramadan, exceptional procedures for customs clearance of certain consumer goods, and intensifying awareness campaigns. In addition, the Algerian government has decided to cut the state's operating budget by 30% and to reduce the national oil company's operating and capital expenditures from $14 billion to $7 billion.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	1.4	0.7	2.2	1.8	–4.4	4.8	–5.4	5.2
Inflation (percent)	4.3	2.0	4.0	5.4	3.5	3.7	3.9	3.7
Budget balance (percent GDP +/–)	–7.0	–9.1	–6.9	–6.2	–14.9	–13.3	–17.0	–15.7
Current account balance (percent GDP +/–)	–9.6	–11.4	–11.6	–10.8	–17.9	–13.3	–20.0	–15.9

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Angola

The first two COVID–19 cases in Angola were confirmed on 21 March 2020. By 13 May, there were 45 confirmed cases—29 active, 14 recovered, and 2 recorded deaths. The efforts to prevent the spread of the virus included quarantines for travelers from China, closure of airports to international flights, and a state of emergency until 10 May.

Health sector preparedness

The Global Health Security Index score for Angola is 25.2 (of 100), placing the country at 170 among 195 countries worldwide and at 43 among 54 African countries. The score indicates that the country needs to be better prepared to fight epidemics and pandemics. The health system is weak, with limited capacity to process COVID–19 tests.

Macroeconomic prospects

Since 2016, the economy has been in recession, and to stimulate growth, the government drew up a Macroeconomic Stabilization Program and a new National Development Plan (2018–22). The strategies were to pave the way for such reforms as broadening the tax base and adopting a flexible exchange rate. The outbreak of the pandemic and the attendant sharp fall in oil prices undermined these reforms, exacerbating the country's already fragile macroeconomic situation and limiting the prospects for speedy economic recovery. Oil, Angola's main export commodity, represented 96% of total exports in 2019. But in the wake of the pandemic, Brent crude prices have fallen by more than 50%, to about $30 a barrel. Under the uncertain COVID–19 pandemic and dramatic reduction in oil prices, real GDP for 2020 is projected to contract by between –3.1% (baseline) and –5.3% (worst case) (table).

Under the baseline scenario and assuming that Angola exports the same volume of crude oil in 2020 as in 2019, a 69% reduction in crude oil exports could materialize, equivalent to $9.75 billion and 14% of GDP. The shrinkage in oil exports is expected to contribute to a negative current account balance, projected to be between –1.9% (baseline) and –11.3% (worst case). The reduction in oil-related tax revenue, which represents about 60% of total tax revenue, will contribute to a projected budget deficit of between 4.4% of GDP (baseline) and 9.7% (worst case). The gloomy growth prospect as the country enters the fifth year in recession is going to increase social challenges in a country with 32% unemployment.

Policy responses

The government reaffirmed its commitment to continue with the fiscal consolidation reforms toward a more diversified private-sector oriented economy while providing countercyclical measures to the population and businesses. Priorities are to improve the business environment, including establishing unified corporate tax and developing robust regulations for public-private partnerships. Measures to help businesses during the COVID–19 crisis include easing access to credit, allowing commercial banks to use 2.5% of net assets from the compulsory deposits and a $40 million credit line to small and medium enterprises from the Angolan Development Bank with 180 days grace period at a subsidized interest rate. A major government initiative to protect people is the first phase of the Social Cash Transfer Program (presidential decree on 4 May). And up to 40% of the sovereign wealth fund's net financial assets of $1.5 billion can complement efforts to mitigate the impact of COVID–19 (presidential decree on 9 April).

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	–1.2	–0.1	2.8	2.3	–3.1	1.8	–5.3	1.2
Inflation (percent)	18.7	17.5	11.2	8.2	24.3	14.4	27.9	15.9
Budget balance (percent GDP +/–)	3.0	0.7	0.1	0.3	–4.4	–1.7	–9.7	–6.2
Current account balance (percent GDP +/–)	6.9	2.9	–0.2	–0.3	–1.9	1.1	-11.3	–6.9

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Benin

Benin recorded its first COVID–19 case on 16 March 2020, and by 14 May, it had 339 confirmed cases—with 83 recovering, 254 in treatment, and 2 deaths.

Health sector preparedness

The health system in Benin is fragile and lacks the capacity to cope with a pandemic. With a score of 28.8 of 100, the 2019 Global Health Security Index ranked Benin 150 among 195 countries worldwide and 32 among 54 African countries. The available health infrastructure spread across 28 health zones is insufficient, and the facilities need to be strengthened.

Macroeconomic prospects

Compared with the initial forecasts prior to the outbreak, real GDP is expected to slow by 3.4 percentage points if the pandemic subsides by July (baseline) and by 5.5 points if it continues through December (worst case) (table). The pandemic is expected to result in a decline in cotton exports (57% of exports) and a reduction in foreign direct investment, particularly from China, which represented 36% of net direct investment flows in 2018. There will be difficulties accessing international financial markets due to the general reluctance of investors. And travel and tourism, which represents 6% of GDP and 5% of jobs in Benin, will fall. The budget deficit in 2020 is expected to widen to between 3.0% (baseline) and 3.3% (worst case) due to a drop in revenue and an increase in spending, before stabilizing in 2021. The current account deficit is also expected to increase by about 2 points following the fall in cotton exports. Inflation would remain limited at between 1.1% and 1.4% in line with the drop in domestic demand due to the reduction in income. The funding gap in 2020 is estimated at 458 billion CFA francs ($76 million), or 3.8% of GDP. Economic growth is expected to rebound in 2021 with a recovery in the global economy.

Policy responses

Benin developed a plan to prepare for and respond to the COVID–19 epidemic at a cost of $672 million (4.2% of GDP), aimed at strengthening its capacity to halt the spread of the epidemic. The health measures included strengthening the national public health laboratory, establishing border surveillance systems, installing laboratories in all departments, and conducting screening. By 14 May, the country had carried out 25,799 tests, thanks to establishing four additional screening and case management centers in addition to the one in Cotonou. The sanitary cordon established from 30 March around the 15 most exposed municipalities (around Cotonou and Porto-Novo) was lifted on 11 May. Classes, which had been suspended since 30 March, also resumed on 11 May.

The government plans to support the most vulnerable social strata and to support businesses in the most severely affected industries (hotels, restaurants, transport, and leisure). It is reducing 50% of the tax on motor vehicles, 25% of the cost of licenses for passenger transport companies, and 50% of the daily space charges for traders in major markets. It is postponing until the end of June the payment of taxes, duties, and social security contributions for companies in the most affected sectors. It is implementing indirect subsidies by reducing salary costs for six months benefiting smaller enterprises affiliated with the National Social Security Fund. It is also reducing customs duties on basic food products for a total of CFAF 4.6 billion. In addition, Beninese economic players and the banking system should benefit from the measures by the Central Bank of West African States, particularly the increase in bank liquidity and the extension of maturities for smaller enterprises.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	6.7	6.7	6.7	6.6	3.3	4.5	1.2	4.1
Inflation (percent)	0.9	–0.8	1.2	1.7	1.1	1.6	1.4	1.7
Budget balance (percent GDP +/–)	–3.0	–2.2	–2.1	–1.9	–3.0	–2.7	–3.3	–3.2
Current account balance (percent GDP +/–)	–6.0	–5.1	–5.2	–5.1	–7.0	–6.4	–7.3	–6.7

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Botswana

Botswana reported three positive imported cases on 30 March 2020. By 23 May, it had performed 17,631 laboratory tests yielding 35 positive cases—15 remain active, 19 have recovered, and 1 has died.

Health sector preparedness

The 2019 Global Health Security Index ranked Botswana 139 among 195 countries globally and 26 among 54 African countries, with a low score of 31.1 (of 100). The country has received personal protective equipment donations and trained and equipped its health workers for COVID–19 case management. The government established a multisectoral public health emergency committee and allocated 15% of the fiscal 2020–21 recurrent budget to the Health and Wellness Ministry. Its Health Financing Strategy will enhance efficiency by involving the private sector in health service delivery. And all public hospitals are connected through the e-Health Strategy, increasing their efficiency through information communication and technology.

Macroeconomic prospects

The macroeconomic outlook has deteriorated as global containment measures disrupted supply chains, curtailed transportation, and lowered demand. These developments are likely to severely affect Botswana's diamond and tourism industries, which respectively account for more than 80% and 13.4% of its export earnings (table). Botswana's regional trade will also suffer from the lockdown in South Africa, which supplies about 60% of its imports.

Real GDP in 2020 is projected to contract between 5.5% (baseline) and 7.3% (worst case) with a recovery of about 5.0% to 5.5% in 2021. The range is dependent on the pandemic slowing down by July 2020 (baseline) or continuing until December 2020 (worst case). The current account is projected to deteriorate faster in 2020 under both scenarios, with a deficit ranging from 6.1% to 6.5%, as worsening global export conditions outweigh a reduced import bill from falling fuel prices—and to modestly improve in 2021 with the gradual revival of the diamond and tourism industries. Tax revenues are expected to fall with the decline in imports, the slowdown in economic activity, and reduced revenues from the Southern African Customs Union With less revenue, the fiscal deficit in the worst-case scenario is projected to widen to 6.1% in 2020, but it could narrow to 4.0% in 2021 as economic activity picks up. Inflation is expected to be within the central bank's medium term target range of 3–6% in 2020 and in 2021, as the impact of lower oil prices offsets any spikes in the prices of food and other nonfuel commodities.

Policy responses

Aware of the health system's limitations, the government priority is to step up preventive measures, including travel restrictions, closures of borders and public places, and suspensions of large public gatherings. With WHO support, the government has equipped eight key isolation facilities countrywide and runs frequent public awareness campaigns. It declared a six-month state of public emergency and a two-month lockdown effective 2 April 2020, to be removed in a phased manner. The government also set up a privately and publicly financed COVID–19 Relief Fund to support employment, stabilize businesses, purchase strategic supplies and services, ease doing business through targeted fiscal policy incentives, and finance a post COVID–19 recovery plan. To boost liquidity and reinforce financial stability, the Bank of Botswana eased monetary policy and commercial bank access to central bank liquidity by reducing the bank policy rate to 4.25% from 4.75% and the prudential capital adequacy ratio to 12.5% from 15.0%, among other policy measures. The revival of tourism will largely depend on the success of mitigating the pandemic and the easing of regional and global lockdowns, especially travel. Supportive government interim measures like reengineering the tourism industry through virtual tours and e-marketing would help ensure its recovery.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	4.5	3.0	4.2	5.1	–5.5	5.0	–7.3	5.5
Inflation (percent)	3.2	2.8	3.5	3.8	3.4	2.9	3.6	3.3
Budget balance (percent GDP +/–)	–2.5	–4.2	–2.2	–1.4	–5.3	–3.3	–6.1	–4.0
Current account balance (percent GDP +/–)	1.9	–4.9	–0.2	–0.4	–6.1	–3.2	–6.5	–2.7

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Burkina Faso

Burkina Faso recorded its first COVID–19 case on 9 March 2020. By 22 May, the country had 832 confirmed cases—with 683 recoveries, 97 people under treatment, and 52 deaths, and the pandemic appears to be under control.

Health sector preparedness

Spending in the health sector is relatively low, averaging only 6% of GDP. The 2019 Global Health Security Index ranked Burkina Faso 145 among 195 countries worldwide and 24 among 54 in Africa, placing it in the category of countries least prepared to deal with an epidemic.

Macroeconomic prospects

Before the COVID–19 pandemic broke out, Burkina Faso's growth prospects were favorable. Real GDP growth averaged 6.2% over 2016–2019, despite the deterioration of the security. The COVID–19 shock is expected to lead to a fall in foreign trade, a contraction of foreign direct investment, and a slowdown in tourism. Real GDP is expected to slow from 5.7% in 2019 to 1.6% in 2020 if the pandemic subsides by July (baseline) and to 0.7% if it continues through December (worst case) (table). The budget deficit in 2020 would increase by 2.4 to 2.8 points of GDP compared with initial projections. The current account deficit would, however, fall in 2020 from 1.2 to 0.9 percentage points of GDP compared with initial projections, due mainly to the lower oil bill. Inflation is expected to rise by 2 points from initial projections, and stabilize very slightly above 3%. Economic activity should recover in 2021 in line with the return to activity in tourism, hotels, and trade, and the rise in public investment.

Policy responses

To combat the spread of the pandemic and mitigate its impact on vulnerable populations and the private sector, the government has developed a response plan and an economic recovery plan including measures of a health, economic, and social nature. The overall cost of these measures is estimated at CFAF 394 billion, or 4.45% of GDP. In addition to these measures, the Central Bank of West African States is taking steps to strengthen the resilience of the country's financial and banking system.

The health measures in the revised COVID–19 preparedness and response plan, with an overall budget of CFAF 178 billion, place particular emphasis on patient case management, acquisition of medical equipment, and screening tests. The government declared a state of emergency and adopted measures restricting movement, with quarantine of certain cities and closures of markets and schools.

Totaling CFAF 76.08 billion, social measures relate to payment exemptions of water and electricity bills for April, May, and June, food sales at subsidized prices, direct cash transfers, and free distribution of food and hygiene kits to vulnerable households.

The tax measures cover exemption from VAT and customs duties on imports and the sale of products used in the fight against COVID–19—and exemptions from contributions in April, May, and June for microenterprises in the informal sector. Other support measures establish a solidarity fund for the benefit of those working in the informal sector, acquire agricultural inputs and fodder to support food and pastoral production, and set up a framework to support affected companies. In addition, the government plans to provide 12 million washable protective masks for students and teachers.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	6.8	5.7	6.0	6.1	1.6	5.3	0.7	4.5
Inflation (percent)	2.0	–3.2	1.6	2.0	3.6	2.1	3.8	2.4
Budget balance (percent GDP +/–)	–4.9	–2.7	–3.0	–3.0	–5.4	–4.1	–5.8	–4.4
Current account balance (percent GDP +/–)	–5.8	–4.4	–6.0	–5.4	–4.8	–5.0	–5.1	–5.7

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Burundi

Burundi announced the first officially recognized cases of COVID–19 on 1 April 2020. By 25 May, the country had 42 confirmed cases, including 21 active ones, 20 recoveries, and 1 death.

Health sector preparedness

Overall, Burundi's health system is poorly prepared to cope with the wide spread of the pandemic. The 2019 Global Health Security Index ranks Burundi 177 among 195 countries, with a score of 22.8 (of 100). The country appears well below world averages in prevention capacity (25.1 versus 34.8), detection (11.4 versus 41.9), and the rapid response of its health system (28.4 versus 38.4). Faced with COVID–19, the high population density (436 people per km^2) poses a major risk for the spread of the virus and constrains the health system's ability to provide care.

Macroeconomic prospects

Before the COVID–19 outbreak, the economy was recovering from the recession of 2015. However, the state of public finances remained concerning, and its external position was extremely fragile, with a current account deficit of 10% of GDP in 2019. But growth prospects for 2020 and 2021 were favorable due to the recovery of agricultural production, increased activity in services, and a revival of public investment. The pandemic is expected to break this momentum, jeopardize growth objectives and macroeconomic balances, and affect the social situation. Given the country's narrow productive base, the poor diversification of its exports, and its heavy dependence on the rest of the world for capital goods, Burundi could experience a sharp contraction in economic activity in 2020, involving a loss of growth estimated between 8.2 and 8.8 percentage points compared with initial forecasts (table). The budget deficit is expected to increase by 4.0 to 4.7 points due to a reduction in tax revenues linked to the general decline in activity. The current account deficit would also increase due to the worsening of the trade balance. In the absence of external financing, this deterioration in the fiscal balance would result in an increase in payment orders and an accumulation of domestic debt arrears.

Policy responses

In the area of public health, in March the government adopted a national contingency plan for preparedness and response to the COVID–19 crisis. The cost of this contingency plan is estimated at approximately $26 million. The government has also taken measures to contain the spread of the virus in the country. But no lockdown measures have been adopted—no school closures, no remote working, and so on.

Although the economy is starting to show the impact of COVID–19 (including the 7.6% year-on-year increase in the consumer price index at the end of April compared with a 7.1% increase in March), no specific economic policy measures for taxes, subsidies, enterprises, exposed sectors, or social protection have been adopted so far. Likewise, the country's monetary authorities have not yet implemented any mechanisms to regulate and support the economy.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.1	3.4	3.0	4.0	–5.2	3.9	–5.8	2.6
Inflation (percent)	–2.6	–3.1	–0.4	0.2	6.2	4.9	6.3	5.4
Budget balance (percent GDP +/–)	–3.3	–4.1	–5.0	–5.2	–9.0	–7.0	–9.7	–7.6
Current account balance (percent GDP +/–)	–10.3	–10.0	–9.6	–9.2	–11.0	–11.6	–11.3	–12.1

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Cabo Verde

Despite its geographic insularity, Cabo Verde was not immune to contagion by the COVID–19 pandemic and registered its first case on 21 March 2020. By 25 May, it recorded about 380 cases—with 60 people hospitalized, 155 recovered, and 3 recorded deaths.

Health sector preparedness

The health system faces shortages in key medical staff, equipment and consumables for laboratories, and geographic fragmentation accentuates the capacity constraints. The 2019 Global Health Security Index ranked the country 146 among 195 countries globally, and 30 of 54 in Africa. The current budget spending on health (5.2% of GDP) is close to Africa's average (5.3%). The authorities have mechanisms for monitoring the surge of epidemics, but inadequate human resources and equipment constrain the system's preparedness for treating illnesses and protecting health workers.

Macroeconomic prospects

Cabo Verde's strong economic recovery following the euro crisis in 2015 has been brought to a sudden halt by the pandemic. Real GDP in 2020 is projected to contract by 4% if the pandemic slows by July (baseline) and as much as 7% if it continues until December (worst case) (table). Growth could recover in 2021 to 1.3%, driven by scaled-up public spending and credit stimulus measures. The slowdown stems from a 61.6% decline in tourism revenues, which account for 17.7% of GDP, revenue losses in fisheries, which generates 31% of total exports, and stagnant activity in manufacturing, transport, and logistics reflecting disruptions in global supply chains. The contraction of GDP could cause the loss of 17,500 jobs.

Foreign direct investment and other capital inflows, mostly from the United Kingdom, Portugal, Spain, and Italy, are expected to contract by 56% to $53 million in 2020, delaying investments in key sectors, including tourism, construction, transport and information, communication, and technology. Annual growth of remittances is projected to slow to 0.4% in 2020 from the previously projected 4%, reducing incomes and consumption of vulnerable youth, women, and informal workers, thereby worsening poverty and income inequality. Inflation is expected to rise slightly, reflecting monetary policy easing and supply shocks to food and industry output. The fiscal deficit will spike to 7.9% of GDP in 2020 (baseline), as total public debt is expected to rise to 137.4% of GDP by end-2020, up from 124.2% of GDP in 2019, reflecting both higher borrowing and a decline in nominal GDP. On the external position, oil price collapse would yield significant savings through a reduced total import bill (including fuel import costs), which is projected to drop by 17.7% in 2020. However, lower global demand and reduced tourism inflows would weigh negatively on exports, reduce the accumulation of foreign earnings, and lead to a deterioration of the overall balance of payments.

Policy responses

The government's Crisis Preparedness and Action Plan is meant to protect the economy and vulnerable households. Key measures include:

Health. The budget was scaled up for key medical equipment and salaries for medical staff. The national laboratory capacity was strengthened to perform 500 additional tests, but a lack of reagents and the limited surveillance and early detection of suspected cases remain challenges.

Economic. The government deferred tax payments until December 2020 and approved €36 million in state-guaranteed lines of credit to protect private businesses. The central bank reduced its benchmark interest rate by 125 basis points to 0.25%, dropped the permanent credit liquidity facility by 250 basis points to 0.5%, and approved a special credit line of €400 million to commercial banks at an attractive interest rate of 0.75% to boost liquidity.

Social. The government approved €369,000 for 8,000 households in extreme poverty, €2.7 million targeting 30,000 informal sector workers, food assistance for 22,500 families, and scaled-up social protection for the elderly.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	5.1	5.0	5.0	5.0	–4.0	1.3	–7.0	–0.6
Inflation (percent)	1.3	1.5	2.0	2.2	1.4	1.6	1.8	2.1
Budget balance (percent GDP +/–)	–2.8	–2.2	–2.6	–2.3	–7.9	–4.1	–9.2	–4.7
Current account balance (percent GDP +/–)	–3.7	–3.4	–3.3	–3.2	–8.0	–7.2	–9.1	–8.0

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Cameroon

Cameroon recorded its first COVID–19 case on 6 March 2020. The epidemic has spread rapidly in the country and now affects all ten regions. As of 25 May, there were 5,422 confirmed cases, 1,865 recoveries, and 67 deaths.

Health sector preparedness

International health system assessments highlight the continued need for Cameroon to significantly improve its health structures. The 2019 Global Health System Index ranked the country 113 among 195 countries for the early detection and reporting of epidemics of potential international, national, and regional concern. On its ability to provide a sufficient and robust system to treat the sick and protect health workers, it ranked 101 among 195 countries.

Macroeconomic prospects

The COVID–19 health crisis could affect the country's economy in multiple ways. These include: the fall in the price of raw materials produced by the country (oil and wood in particular) combined with a global fall in demand for these products, the freezing or postponing foreign direct investment, and the instability of regional and international financial markets, which would make access to financing more expensive. If the crisis persists, it could reduce growth, generate a severe shock to public finances, and erode the country's internal and external accounts. Compared with pre-COVID–19 forecasts, the loss of growth in 2020 is expected to be between 4.8 and 6.1 points, and inflation is expected to increase, albeit slightly, over 2020–2021. The economic outlook remains largely dependent on the extent and duration of the crisis, hence the baseline and worst-case scenarios (table). Growth is expected to rebound in 2021 and reach 4.0% or 2.6% depending on the scenario, the pace of recovery of the world economy, and the support provided to national economic actors, particularly the most vulnerable households. The 2020 budget—based on a growth rate of 4%, a budget deficit of 2.4% of GDP, and an oil price of $54.4 per barrel—should be revised in view of the negative effects generated by the pandemic.

Policy responses

The government has adopted a Health Response, Adaptation, and Socio-Economic Support Plan to counter the effects of COVID–19. The main points of this plan are to strengthen the health system, increase economic and financial resilience, conduct strategic procurement, strengthen research and innovation, and boost social resilience.

In the health domain, the government has intensified its preparation and response strategy to public health emergencies, coordinated by the Ministry of Public Health. The average daily cost per person testing positive for COVID–19 has been estimated at CFAF 300,000, equivalent to €457 or €6,402 per patient after 14 days of treatment, costs borne by the state. The President established a national solidarity fund with an initial amount of CFAF 1 billion. The fund is open to contributions in kind and in cash from natural and legal persons, as well as from bilateral and multilateral partners. After adopting restrictive measures in the fight against the pandemic within the country, the government eased the lockdown on 30 April to avoid excessive economic and social imbalances. This decision is also motivated by the statistics from the national health services on the low case-fatality rate and the increasing recovery rate. Among the 19 measures to ease lockdown are social and fiscal initiatives in favor of households and businesses, including an increase in the amount of social benefits and old-age pensions, exemption from the tourist tax in the hospitality sectors, and fast-tracking the payment of VAT credits that the state owes to businesses.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	4.1	4.1	4.0	3.4	–0.8	4.0	–2.1	2.6
Inflation (percent)	1.1	2.4	2.0	2.0	2.9	2.5	3.2	2.9
Budget balance (percent GDP +/–)	–2.5	–2.3	–2.4	–2.4	–3.9	–3.6	–4.3	–4.1
Current account balance (percent GDP +/–)	–3.7	–2.7	–2.6	–2.5	–5.1	–4.2	–6.1	–5.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Central African Republic

The Central African Republic (CAR) recorded its first positive COVID–19 case on 14 March 2020. By 25 May, 604 cases had been confirmed, including 22 patients recovered, and 1 who died.

Health sector preparedness

The CAR's health system has limited preparedness and response capacity to deal with the pandemic. The 2019 Global Health Security Index ranked the CAR 159 among 195 countries globally and 37 among 54 in Africa, with a score of 27.3 of 100. The dysfunction of the health system is expressed in terms of limited governance, lack of drug supply, insufficient and obsolete equipment and infrastructure, and a lack of qualified personnel. Only one hospital with limited capacity (12 beds equipped by WHO and a dozen doctors and nurses) is available to receive COVID–19 patients.

Macroeconomic trends and prospects

The economy remains highly dependent on traditional partners, notably France and China, two countries among the hardest hit by the pandemic. In the short term, exports to China and France, particularly minerals (gold and diamonds), timber, cotton, and coffee, are expected to face lower prices and a decline in demand.

Real GDP is expected to slow from 4.5% in 2019 to 1.8% in 2020 if the pandemic subsides by July (baseline) and to 1.1% if it continues through December (worst case) (table). The decline in growth is expected to cause a drop in revenue with the government obliged to maintain a high level of public expenditure, particularly in health. But the current account balance is expected to improve as a result of lower oil prices and lower demand for energy products linked to the decline in economic activity. As a result, inflation is expected to decline to 1.2% in 2020. A recovery in growth is expected in 2021, but its size will be linked to the improvement in the global economy and the start of investments in the energy sector.

Policy responses

Measures to limit the spread of COVID–19 and mitigate the impact on economic activities include closing the airport to air traffic, except for cargo and humanitarian flights, strengthening hygiene systems, restricting movements between Bangui and the provinces, and closing schools and universities. In addition, the authorities have adopted fiscal and budgetary measures to support businesses through a support fund to prevent business failures and job losses. To cope with the spread of the COVID–19 pandemic and mitigate its adverse effects on the already fragile economy, the government's response plan, provisionally estimated at more than CFAF 150 billion, includes budgetary support, portfolio restructuring and loans, a moratorium on debt servicing, and additional aid managed by the WHO.

The French Development Agency, the African Development Bank, the World Bank, and the European Union plan to grant budget support to CAR in 2020. In addition, the IMF is planning two concessional loans under the Rapid Credit Facility and a moratorium on debt servicing under the Disaster Relief and Response Trust Fund. The CEMAC subregional monetary authorities have adopted a series of monetary easing measures, including the downward revision of the key rate from 3.50% to 3.25% and the marginal lending facility rate from 6% to 5%.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.8	3.0	4.8	5.0	1.8	4.1	1.1	3.1
Inflation (percent)	1.6	2.8	2.6	2.5	1.2	2.4	2.1	2.9
Budget balance (percent GDP +/–)	–1.0	1.4	0.4	–0.8	–2.3	0.2	–3.3	–0.7
Current account balance (percent GDP +/–)	–8.0	–5.0	–6.7	–7.9	–5.1	–5.2	–6.0	–5.8

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Chad

Chad had its first confirmed COVID–19 case on 19 March 2020. By 25 May, the official record was 675 positive cases —with 215 recoveries and 60 deaths.

Health sector preparedness

Currently, the Chad health system is unable to deal with the pandemic. The 2019 Global Health Security Index ranked Chad 150 among 195 countries globally, and 33 among 54 African countries, with a score of 28.8 (of 100). The indicator scores are extremely low for prevention (23.2), for detection capacity (36.6), and for response capacity (34.5). The health system is facing a number of constraints, particularly a lack of doctors (1 for 27,680 inhabitants whereas the WHO standard is 1 for 10,000) and specialists (pulmonary specialists, anesthetists, emergency doctors) for treating COVID–19. Chad has only one testing laboratory capable of analyzing COVID–19 tests for the entire population.

Macroeconomic prospects

Growth prospects for Chad before COVID–19 were favorable, with expected growth of 5.5% in 2020, a budget surplus of 2.2% of GDP, and continuing reduction in the current account deficit (table). But the sudden downturn in global growth linked to the COVID–19 pandemic and the fall in the price of oil because of the drop in global demand and excess supply will put the economy into recession and force the government to make drastic budget choices. This should lead to reviewing the 2020 finance law adopted on the basis of oil prices at $65 a barrel not the $20–30 a barrel average seen in March and April 2020. The Glencore Corporation responsible for commercializing Chad's oil has suspended operations, confirming the gravity of the situation. According to the government, the pandemic's impact on Chad's economy would be an estimated CFAF 943 billion in 2020. The authorities also anticipate that the budget deficit will be a record CFAF 300 billion. Beyond declining oil prices, restrictive measures on the flow of people and goods, and the general fall in activity should lead to a fall in growth and deterioration in public and external accounts.

After 2.4% growth in 2019, real GDP in 2020 is projected to contract by 0.1% if the pandemic subsides by July (baseline) and by 2.2% if it continues through December (worst case). Also in 2020, Chad would record erosions of 0.7% of GDP in its budget balance and 12.9 points in its current account balance.

Policy responses

The government took measures as soon as the first COVID–19 cases appeared in neighboring Cameroon and Nigeria. It also developed an initial response plan of CFAF 15 billion and established a monitoring and health security unit coordinated by the secretary general of the President's office. With the acceleration of the pandemic, this plan was updated to CFAF 31 billion.

Other measures include a curfew since 29 April, closing all markets and places of worship and restricting urban and interurban transport. These measures were gradually consolidated as soon as the first cases were reported. A health emergency was declared for the country on 25 April, and renewed for two months on 15 May. The head of state, aware of the impact of these measures on the population's living conditions and economic activity, announced an ambitious economic and social support plan of CFAF 943 billion, 200 billion of which can be mobilized immediately as part of the 2020 state budget.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	2.4	3.0	5.5	4.9	–0.1	5.1	–2.2	3.9
Inflation (percent)	4.0	–0.9	3.1	3.0	2.4	3.0	2.7	3.2
Budget balance (percent GDP +/–)	1.9	–0.2	2.2	2.5	–0.7	–2.2	–1.1	–2.7
Current account balance (percent GDP +/–)	–1.4	–4.8	–5.6	–6.4	–12.9	–11.3	–13.1	–11.9

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Comoros

Comoros officially announced the first COVID–19 case on 30 April 2020. By 23 May, 87 cases of infection had been officially recorded, including 65 hospitalized, 21 recoveries, and one death. To contain the spread of the pandemic, the government doubled down on prior measures such as closing schools, suspending international commercial flights from 23 March (not cargo flights), and observing the curfew across the national territory declared on 25 April. But the government did not place people under lockdown.

Health sector preparedness

The Global Health Security Index ranked Comoros 160 among 195 countries worldwide and 39 in Africa. With a score of 27.2 of 100 (below the world average of 40.2 of 100), it is among the least prepared countries to face an epidemic or pandemic.

Macroeconomic prospects

Comoros has a small open economy, exporting mainly unprocessed raw materials (vanilla, clove). It depends on remittances from its diaspora, estimated at 12.2% of GDP in 2019 and playing an essential role in local trade and construction. In 2020 the economy will be hit by declines in the tourism and travel, in diaspora remittances, and in foreign direct investment. The pandemic could also compromise or delay the funding commitments development partners made in December 2019 to finance the Emerging Comoros Plan by 2030. Real GDP is projected to contract by 1.2% if the pandemic subsides by July (baseline) and by 1.8% if it continues through December (worst case) (table). Growth should rebound in 2021 to 3.5% in the baseline case but will depend heavily on improvement in the global economy. The budget deficit is expected to widen by 1.0% to 1.8% due to a moderate decline in revenues. The current account balance is likely to follow the same trajectory, penalized by a drop in remittances from the diaspora but also benefitting from the drop in imported oil prices. Inflation should remain contained in 2020.

Policy responses

The government's health policy has focused on implementing and strengthening the prevention, response, and care measures through border surveillance, raising public awareness of the pandemic, compliance with preventive measures, and care for infected persons. New polymerase chain reaction (PCR) machines have been ordered, as well as sufficient masks and tests.

The government has also committed to reducing taxes and customs duties by 30% and to simplifying customs clearance procedures for food products, essential medicines, and hygiene products and materials.

A package of CFAF 100 million (about $218,000) per month has been granted to companies affected by the airport closures (notably the National Agency for Civil Aviation and Meteorology, Comoros airports, and ComAir Assistance) to ensure that employee salaries are sustained. The deadline for submitting tax returns has been extended to 31 May from the initial date of 31 March.

The central bank has authorized the rescheduling of debts and the freezing of premiums for loans affected by the COVID–19 crisis. To restore liquidity to the commercial banking sector, the reserve requirement was lowered from 15% to 10% for six months starting 1 April.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.6	1.9	3.0	3.2	–1.2	3.5	–1.8	2.8
Inflation (percent)	1.7	3.3	1.9	2.1	2.8	2.2	3.0	2.6
Budget balance (percent GDP +/–)	–1.0	–2.2	–2.8	–3.1	–3.8	–2.8	–4.6	–3.3
Current account balance (percent GDP +/–)	–2.8	–3.7	–8.8	–8.7	–5.3	–4.4	–5.9	–4.8

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Congo

The Republic of Congo recorded the first COVID–19 case on 15 March 2020. Despite the preventive measures taken by the authorities, the epidemic progressed rapidly. By 25 May, the number of confirmed cases stood at 531, with 155 recoveries and 17 deaths. The number of tests carried out is 6,483.

Health sector preparedness

The Global Health Security Index ranked Congo 173 among 195 countries and considers it among the countries least prepared to deal with health crises of such magnitude as COVID–19, with a score of 23.6 of 100. Its screening and reporting indicator score is 7 of 100, compared with a global average of 41.9. Authorities have undertaken to provide all regions in the country with general hospitals as part of the country's accelerated municipalization program. But these are either mostly unfinished or lack staff and equipment. The country does not have sufficient high-level health facilities to contain an outbreak, and the capacity for resuscitation and bioanalysis remain limited.

Macroeconomic prospects

The pandemic worsens the economic outlook for Congo. Before the pandemic, projections for 2020 anticipated GDP growth of 4.6%, a budget surplus of 8.4% of GDP, and a current account surplus of 5.2% (table). With the pandemic, Congo is expected to enter a recession in 2020 and contract by 9.1% in the worst-case scenario, a loss of 13.7%. This loss would result from a drop in oil exports due to the fall in global demand, but also from a drop in prices linked to excess supply. And in 2020, the budget and current account deficits are expected to increase further by around 20% of GDP. As the main source of income and tax revenue for the state, the fall in wood exports—combined with the drop in domestic demand linked to the general contraction in activity due to the lockdown—should reduce tax and nontax revenue and cause the first budget deficit since 2005. The current account surplus in the last two years is likely to follow the same trajectory. Inflation is expected to rise significantly in 2020. The overall financing requirement of the budget in 2020 is estimated at CFAF 1,220 billion, or 20.3% of GDP. The economy should rebound in 2021 in line with the improvement in the global economy.

Policy responses

To cope with the spread of COVID–19 and to mitigate its social and economic impacts, the government created an emergency fund of CFAF 25 billion. It has also adopted a health response plan valued at CFAF 22 billion and a national solidarity fund of CFAF 100 billion to support businesses, provide compensation for loss of income from assets, and provide assistance to vulnerable people.

The government is expected to issue treasury bonds to supplement budget revenue. Health and social measures include requisitions of all able-bodied active and retired health workers and graduating students from paramedical schools and the Faculty of Health Sciences, requisitions of all drugs and other health products held by commercial pharmacies and considered useful for the management of COVID–19, allocations of bonuses to all health and auxiliary personnel mobilized against COVID–19, reductions in the number of working days of state markets from five to three, with an obligation to wear masks, provision of free water and electricity for all households during the lockdown period, and cash subsidies from the Ministry of Social Services to poor households and individuals across the country.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	1.6	1.2	4.6	1.8	–7.2	3.4	–9.1	2.6
Inflation (percent)	1.2	4.6	1.8	2.7	4.9	2.3	5.1	4.3
Budget balance (percent GDP +/–)	6.8	8.8	8.4	8.0	–6.3	0.4	–11.2	–0.8
Current account balance (percent GDP +/–)	6.7	8.2	5.2	1.2	–8.1	–1.9	–14.9	–7.3

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Côte d'Ivoire

Côte d'Ivoire reported its first COVID–19 case on 11 March 2020. By 27 April, the number of official cases totaled 1,164—with 499 recoveries, 651 still active, and 14 deaths.

Health sector preparedness

Côte d'Ivoire's health system is not adequately prepared to provide a rapid response to the COVID–19 pandemic, especially in treating the most serious cases, which requires numerous resuscitations. The Côte d'Ivoire Institut Pasteur, the reference laboratory for testing, needs significant support to meet the sharp increase in activity. The 2019 Global Health Security Index ranked Côte d'Ivoire 105 among 195 countries globally and 14 of 54 African countries, with a score of 35.5 (of 100). The low ranking is primarily due to weak performance in the health system, prevention, rapid response, and environmental risk categories.

Macroeconomic prospects

Côte d'Ivoire's economic prospects were highly favorable before the pandemic hit, with an average annual growth of 7.1% during 2015–2018 and of 6.9% in 2019 (table). The country will likely be hit by the consequences of the global pandemic, but should not fall into recession in 2020, regardless of the crisis development scenario. Compared with the initial forecasts, a 4.2–5.7 point loss in growth is expected for 2020, due to the expected downturn in the agriculture, transportation, tourism, manufacturing, construction, and trade. GDP growth is expected to slow to 3% if the pandemic subsides in July (baseline) and to 1.5% if it continues through December (worst case). The health crisis will likely have a particular impact on public finance, with an increase in expenditure on health, social protection and direct aid to businesses, and a drop in budgetary revenues due to a decline in imports and a slowdown of activity in the private sector. The current account deficit should remain stable. The COVID–19 shock should not cause any inflationary pressures. Economic growth may rebound in 2021 to 6.6% in the baseline and to 5.0% in the worst case. This recovery would be driven by agriculture, construction, and telecommunications on the supply side, and by final consumption and investments on the demand side.

Policy responses

To limit the spread of COVID–19 and reduce its social and economic impacts, the Côte d'Ivoire government adopted an FCFA 95.9 billion health response plan focusing on epidemiologic and biological monitoring, prevention, and patient care—and an FCFA 1,700.9 billion economic, social, and humanitarian support plan.

This second plan comprises private sector support measures, aimed at businesses, to maintain economic activity by postponing tax payment deadlines for retailers and businesses in the sectors most affected by the health crisis and establishing a support fund for the private, informal, and agriculture sectors. The social measures include such actions as the state's temporary payment of electricity bills (April to July 2020) and water bills (May to August 2020) for the most disadvantaged, and the establishment of a solidarity fund for the most vulnerable groups.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	6.8	6.9	7.2	7.1	3.0	6.6	1.5	5.0
Inflation (percent)	0.4	1.0	1.5	1.6	1.6	1.3	1.9	1.7
Budget balance (percent GDP +/–)	–3.1	–3.1	–3.0	–3.0	–5.2	–2.5	–6.1	–3.6
Current account balance (percent GDP +/–)	–3.0	–2.8	–3.8	–3.8	–3.2	–2.9	–4.1	–4.2

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Democratic Republic of Congo

The Democratic Republic of Congo (DRC) recorded its first positive COVID–19 case on 10 March 2020, in the city of Kinshasa. By 25 May, 2,297 cases have been confirmed, including 337 patients who have recovered, and 67 who have died.

Health sector preparedness

The Global Health Security Index ranked DRC 161 among 195 countries, with a score of 26.5 of 100, making it a country with one of the weakest health systems in the world. Since 2015, the DRC has faced major public health challenges related to the management of Ebola, cholera, and measles epidemics, responsible for more than 10,000 deaths to date. The national health system lacks quality human resources and efficient infrastructure. In a state of saturation, it is unable to provide effective care for COVID–19 patients. Moreover, the porous nature of the country's borders and the pockets of insecurity in the eastern part of the country are additional risk factors and constraints.

Macroeconomic prospects

The DRC's economic prospects prior to the pandemic were modest with GDP growth projected at 3.9% in 2020 and 3.4% in 2021, due to downward trends in the prices of raw materials, including copper and cobalt (table). The activity in the extractive industry, the main driver of growth in the economy, will slow due to falling prices and declining Chinese demand. And isolation, containment, and reduced mobility will reduce the general level of activity. That will push the DRC into recession in 2020. With an estimated growth loss of between 6.2 and 8.1 points of GDP. Compared with the pre-COVID–19 situation, the budget and current account deficits are expected to widen in 2020, but only to a limited extent. Inflation is also expected to rise significantly, to more than double the level initially forecast. Real GDP is projected to contract by 2.3% in 2020 if the pandemic subsides by July (baseline) and by 4.2% if it continues through December (worst case).

Policy responses

The pandemic is expected to significantly affect the national economy (cessation or slowdown of activities with an impact on production) and the quality of life of the Congolese population: increase in morbidity and mortality rates, loss of jobs, decline in real income, delay in payment of wages, decline in food supply, disruption of school activities, and reinforcement of gender-based inequalities. In view of these effects, the government decided to grant facilities to businesses and households. Tax breaks have been granted to companies, suspending for three months the professional income tax, the collection of import VAT on the production and sale of basic necessities, and the payment of rental tax payable by companies.

Other social and economic measures include free water and electricity for three months, and support for the private sector through the Industry Promotion Fund with interest-free financing. The government also initiated, with the assistance of external partners, the development of an emergency multisectoral program to mitigate the impact of COVID–1919, estimated at $1.6 billion. The program is to protect the population against the pandemic and strengthen the capacity of medical institutions in the care of the sick, take economic measures that are essential to ensure macroeconomic stability and guarantee economic recovery after the pandemic, and implement risk mitigation measures and support to the population for better social protection.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	5.8	4.3	3.9	3.4	–2.3	3.3	–4.2	2.1
Inflation (percent)	29.3	4.5	5.1	4.6	12.0	10.3	13.4	11.1
Budget balance (percent GDP +/–)	0.4	–0.4	–0.2	–0.3	–1.3	–0.6	–1.7	–1.1
Current account balance (percent GDP +/–)	–4.7	–2.6	–4.6	–4.3	–5.2	–5.1	–5.7	–5.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Djibouti

Djibouti reported the first case of COVID–19 on 18 March 2020, and by 25 May, it recorded 2,468 confirmed cases —with 1,079 having recovered, 1,375 receiving medical care, and 14 reported deaths. The mass testing campaign launched by the government and low compliance for the lockdown are among the explanatory factors for one of the highest counts in East Africa. Djibouti started gradual a exit from lockdown on 17 May.

Health sector preparedness

The health system has rather weak human resources and infrastructure and is therefore limited to deal with a wide spread of the pandemic. The 2019 Global Health Security Index ranked Djibouti 175 among 195 countries globally and 46 among 54 African countries. Its score was 23.2, well below the world average of 40.2 (of 100).

Macroeconomic prospects

Djibouti's economy is being hit by declining travel and tourism, dropping revenues from port activities, and falling FDI inflows. Previously projected at 6% in 2020 and 6.2% in 2021, real GDP could grow at only 1% in 2020 (baseline) or even contract by 0.5% (worst case) (table). In 2021, growth of more than 5% would be expected as port and free zone activities recover rapidly. Inflation is expected to remain between 2.7% (baseline) and 3.5% (worst case) as Djibouti has a fixed exchange rate against US dollar and has adequate foreign exchange reserves. With fairly stable revenues, especially from port activities and annuities from foreign military bases, the fiscal deficit would increase by 1.2 and 1.9 points. For foreign trade, the balance of goods in the free zones, which is always in surplus, might be in deficit, especially in the worst-case scenario, while the deficit in the balance of goods outside the free zone might further widen. The country's debt service will be hit by COVID–19's adverse impacts emanating from the global economic slowdown combined with the fall in government revenues and the envisaged increase in public expenditures (assistance to businesses and some public enterprises, social assistance, and so on).

Policy responses

Health measures. Control mechanisms at airports, ports, terminals, and border posts have been strengthened. The government established seven sites for quarantine and isolation. The Ministry of Health is increasing its human resources by mobilizing students of the faculty of medicine and general practitioners. On 1 May 2020, it launched a testing campaign targeting 45,000 people.

Support to businesses. An Emergency and Solidarity Fund was created on 31 March 2020, with an initial donation of $5.6 million from the government and other resources from development partners. A financial envelope of nearly $11.2 million has been allocated, in the form of micro-credits, to small businesses in tourism and catering. The government is also paying employer social security contributions of companies affected by the lockdown that continued to pay their staff. Some companies and households could benefit from a suspension, postponement, or cancellation of payments due to Djibouti Telecom, the National Office of Electricity, and the National Office of Water and Sanitation.

Social measures. Food has been distributed to the most vulnerable population in the capital city. Cash transfers have gone to vulnerable households, especially those in rural areas and the nomadic population.

Fiscal measures. Plans are to postpone the tax levy until 15 July 2020 for companies most affected by the crisis. Subsidies have been provided to public companies due to their support to businesses and households.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	5.5	6.0	6.0	6.2	1.0	5.5	–0.5	5.2
Inflation (percent)	0.1	2.2	2.0	1.8	2.7	1.0	3.5	1.4
Budget balance (percent GDP +/–)	–13.4	–14.1	–13.7	–13.5	–14.9	–14.6	–15.6	–14.5
Current account balance (percent GDP +/–)	–13.5	–12.5	–14.1	–15.1	–13.0	–12.9	–12.6	–11.9

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Egypt

Egypt documented its first COVID–19 cases on 14 February 2020, and by May, it had 17,967 confirmed cases —with 4,900 recovering and 783 reported deaths. The World Health Organization has assessed the spread of the pandemic in Egypt to be a cluster transmission rather than community transmission.

Health sector preparedness

The 2019 Global Health Security Index ranked Egypt 87 among 195 counties globally, 7 among 54 African countries, and one of the 21 more-prepared countries in Africa. It also ranks well in the prevention and response categories (79 and 63 among 195), first on the trade and travel restriction, and 10 on emergency response operations. It also benefits from a very good lab system.

Macroeconomic prospects

Under a baseline scenario of the pandemic limited to the first half of 2020, real GDP growth is projected to slow to 2.2% in 2020, from 5.6% in 2019, and to rebound slightly to 2.7% in 2021 (table). If the pandemic were to last until December 2020 (worst case), the economy would grow by a modest 0.8%, the only positive growth rate in North Africa. Consumption which accounted for an average of 84% of GDP over the last five years would continue to support economic growth. But the pandemic is expected to have a dire impact on those below the poverty line (32.5% of the population in 2018), informal workers, and the vulnerable.

Egypt's trade deficit, above 12% of GDP in 2019, is structurally high. With tourism receipts and workers remittances sharply affected, the current account balance is projected to widen to –6.1% of GDP in 2020 (baseline) from –3.6% in 2019, with potential to further widen to about –7.1% of GDP (worst case). Tourist receipts and remittances, accounting for significant share of inflows and GDP may decline sharply due to the global impacts of the pandemic and the current ban on international flights. Remittances (mainly from Gulf countries), which account for about 8% of GDP, are projected to decline due to a plunge in oil prices and the attendant real effects. Rising world uncertainty has also triggered capital flight and could hamper foreign direct investment. In March 2020, Egypt experienced portfolio outflows and a 12% decline in foreign currency reserves.

Despite a 2% primary surplus in fiscal 2018/19, the budget deficit stood at 8.1% of GDP given debt refinancing costs. Escalation in pandemic-related expenditures amid lower revenues could elevate the fiscal deficit in 2020 to more than 8.5% of GDP under both scenarios. This could push public debt above the current 85% of GDP.

Policy responses

The authorities reacted swiftly, increasing testing capacities in all governorates, dedicating hospital for Coronavirus patients, reducing working hours at public institutions, banning large social and religious gatherings, and imposing a curfew. Egypt suspended all international flights and forced shops to close on weekends. To mitigate the impacts of the pandemic on the population and the economy, the government took measures to support industries and the vulnerable, earmarking $6.34 billion (1.9% of GDP) for the package. It also lowered natural gas prices for industry and provided $63 million for exporters. Starting in March 2020, outstanding property tax on factories and touristic institutions was postponed for three months, to be paid in monthly installments. Informal workers are to receive EGP 500 per month for three months. The central bank also slashed policy rates by 300 basis points. In the context of portfolio outflows, the depreciation of the exchange rate has been limited. On 11 May 2020, the International Monetary Fund (IMF) approved Egypt's request for emergency financial assistance of $2.8 billion under the Rapid Financing Instrument. Egypt is also negotiating a Standby Arrangement with the IMF. The government should also benefit from the support of the African Development Bank and other development partners to bridge its financing gap.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	5.3	5.6	5.8	6.0	2.2	2.7	0.8	2.1
Inflation (percent)	21.6	13.8	7.2	6.1	7.4	8.6	8.0	8.5
Budget balance (percent GDP +/–)	–9.6	–8.1	–6.3	–5.1	–8.5	–7.4	–8.7	–7.8
Current account balance (percent GDP +/–)	–2.4	–3.6	–1.8	–1.2	–6.1	–6.4	–7.1	–7.2

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Equatorial Guinea

Equatorial Guinea recorded its first confirmed COVID–19 case on 14 March 2020. On 31 March, the authorities declared a 30-day health alert and launched prevention, confinement, and pandemic control measures. On 21 April, the country was placed in full lockdown mode. By 25 May, there were 1,043 confirmed cases, with 165 recoveries and 12 deaths.

Health sector preparedness

According to the World Health Organization, COVID–19 represents a high risk for Equatorial Guinea given the weak capacities of its health system, the lack of necessary equipment to fight the pandemic, poor hygienic and living conditions, overcrowding in large cities, and high morbidity rates which could lead to a greater severity of the disease. The country's ability to diagnose and treat COVID–19 patients is insufficient. With a score of 16.2, the 2019 Global Health Security Index ranks Equatorial Guinea's health system last of the 195 countries surveyed.

Macroeconomic prospects

The COVID–19 pandemic has worsened the economic situation in Equatorial Guinea, which is struggling to recover from the recession caused by the 2014 fall in oil prices and the decline in the yields of the oil and gas wells in operation these past few years. In 2018, oil and gas represented nearly 50% of GDP, 95% of export revenues, and 85% of budgetary revenues. Thanks to a rebound in oil prices in recent years, the contraction of real GDP, which had reached 4.1% in 2019. The fall in oil prices in early 2020, caused by a contraction in global demand and an excess supply, combined with the general decline in economic activity due to the confinement is expected to have a strong negative impact on the country's economy and accentuate the recession in 2020 and 2021. Compared with the initial forecasts, a 5.5–7.6 percentage point loss in real GDP growth is expected for 2020 (table). So, real GDP in 2020 could contract by 9.2% if the pandemic subsides by July (baseline) and by 11.3% if it continues through December (worst case). In 2020, real GDP would contract 4.9% in the baseline scenario and 6.4% in the worst case. Although a budget surplus was predicted in 2020 prior to the pandemic, Equatorial Guinea will likely be facing a budget deficit of 4.8% to 5.9% of GDP. The current account deficit is also expected to increase 4.7 to 5.1 points in 2020. Inflation will increase approximately 2 points. FCFA 298 billion (4.3% of GDP) of additional funding is required for 2020.

Policy responses

The government has implemented several measures in response to the crisis, closing borders and schools, imposing a curfew, and placing the country in full lockdown mode. It adopted a health response plan, which is expected to cost FCFA 402 million, and took measures to meet the population's basic needs (health, employment, water, electricity, housing, transportation) and to support businesses affected by the COVID–19 crisis in the nonoil sector, especially small and medium offices and enterprises The government will contribute FCFA 5 billion to the national COVID–19 emergency fund. The authorities are also counting on a rapid mobilization of technical and financial support from development partners to help the country respond to the health emergency and reduce the impact on the economy and the population.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	–5.8	–6.1	–3.7	–3.3	–9.2	–4.9	–11.3	–6.4
Inflation (percent)	1.3	0.8	1.6	1.4	3.4	2.5	3.5	2.6
Budget balance (percent GDP +/–)	0.5	1.7	1.4	0.5	–4.8	–3.6	–5.9	–4.4
Current account balance (percent GDP +/–)	–5.5	–5.8	–6.3	–7.5	–11.0	–9.0	–11.4	–10.7

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December. The two scenarios were based on an average oil price of $35 a barrel for the baseline scenario and $20 for the worst-case scenario.
Source: African Development Bank statistics.

Eritrea

Eritrea reported its first case of COVID–19 on 21 March 2020, and total cumulative cases stood at 39 by 7 May, with 30 recoveries and no deaths. To contain the spread of the pandemic, the government imposed a national lockdown starting on 2 April. All citizens are required to stay at home except those engaged in indispensable security and development tasks.

Health sector preparedness

Eritrea beefed up its preparedness and response actions to fight the pandemic in line with the WHO strategic preparedness and response plan. The 2019 Global Health Security Index ranked Eritrea 178 among 195 countries, with a score of 22.4 of 100, below the global average of 40.2.

Macroeconomic prospects

Real GDP growth is projected at 0.3% in 2020 if the pandemic is contained by the third quarter (baseline), compared with the previous estimate of 3.9%, and to contract by 1.1% if the pandemic persists to the end of 2020 (worst case) (table). The COVID–19 crisis is expected to adversely affect Eritrea's economic outlook through commodity prices and trade, foreign direct investment, and travel and tourism. Metals are Eritrea's leading export and account for an average of 85% of merchandise exports and 17% of GDP. Between February and March 2020, prices for zinc fell by 6.7% and for copper by 3%. The fall in metal prices will affect foreign exchange earnings and public revenues, which may hold back the implementation of transformative infrastructure, with adverse impacts on GDP growth.

Foreign direct investment in 2018 was estimated at $600 million (about 9.6% of GDP), with most investments are focused on mining. Global economic uncertainty is likely to slow FDI flows as investors postpone major investment decisions. This could affect investments in Eritrea's mining sector. Tourism is an emerging source of foreign exchange, though its contribution to GDP is still low at about 1%. Global travel restrictions and national containment measures have reduced tourism and hospitality. Lower merchandise and service export earnings are expected to reduce the country's current account surplus in 2020 from the previous projection of 13.2% to 10.3% of GDP (baseline) and 8.1% (worst case).

Containment measures, like the national lockdown, and cautious consumer and investor sentiment will reduce demand, and disruptions in global and regional supply chains will affect supply. These shocks are projected to reverse real GDP growth in 2020 although a strong recovery is expected in 2021 as the pandemic is contained. The supply shocks are likely to more than offset the impact of subdued demand, increasing inflation to 5% in the worst-case scenario in 2020 relative to previous estimates. Increased public spending in response to the COVID–19 crisis amid depressed revenues will worsen the fiscal balance, which is projected to widen to –4.7% of GDP in 2020 (baseline) and to –5.7% with the pandemic persisting to year's end (worst case).

Policy responses

A national COVID–19 pandemic response plan is yet to be announced. However, the authorities should continue to mobilize citizens within the country and the diaspora to support the National Fund for COVID–19 pandemic. The swift responses from volunteers have allowed the government to address the immediate health needs without neglecting the most vulnerable. The authorities have also continued to follow WHO's preparedness guidelines and response actions. Increasing access to credit for the micro, small, and medium enterprises will prevent business closures and support a quick economic recovery once COVID–19 is contained. In this context, recapitalizing and enhancing the capacity of the Eritrean Investment and Development Bank will be critical.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	13.0	3.8	3.9	4.0	0.3	5.9	–1.1	4.3
Inflation (percent)	–14.4	–16.4	0.0	2.0	4.6	2.2	5.0	3.7
Budget balance (percent GDP +/–)	4.2	–1.5	–2.9	–4.0	–4.7	–4.3	–5.7	–4.9
Current account balance (percent GDP +/–)	19.0	12.1	13.2	8.1	10.3	9.4	8.1	7.2

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Ethiopia

Ethiopia announced its first case of COVID–19 on 13 March 2020, and by 28 May confirmed cases increased to 831, with 197 recoveries and 7 deaths. Community infections remain low thanks to strong containment measures including school and business closures, banning large gatherings, airport screening, and mandatory quarantines of arriving passengers for 14 days.

Health sector preparedness

Ethiopia ranked 84 among 195 countries on the 2019 Global Health Security Index, with a score of 40.6 (of 100), underscoring the need to strengthen the health system. There are about 3,600 people per hospital bed and more than 26,000 people per physician—and only 30% of health facilities have improved water sources. Improvements are particularly necessary in basic health facility readiness including workforce, pharmaceutical management, and infrastructure.

Macroeconomic prospects

Ethiopia had been one of the fastest growing economies in East Africa. But real GDP growth in 2020 is now projected to decline from the pre-pandemic estimate of 7.2% to 3.6% with the pandemic slowing by July (baseline) and to 2.6% (worst case) (table). A partial recovery is projected in 2021. The pandemic is expected to hit commodity prices and trade, travel and tourism, and financial flows. Ethiopia depends on commodity exports, with agricultural products accounting for more than 65% of total merchandise export revenues, and tourism accounting for about 9% of GDP. Reduced demand among Ethiopia's major trading partners in Asia, Europe, and the United States is expected to reduce export revenues and foreign exchange earnings. Subdued economic activity will depress public revenues and coupled with increased public spending to address the impact of the pandemic, the fiscal deficit is expected to widen in 2020 to between 2.9% (baseline) and 3.5% (worst case). Disruptions of regional and global supply chains will induce shortages of commodities, fueling price increases. The impact of higher import prices is likely to offset the anticipated reduction in domestic demand, keeping inflation in double digits against the central bank's 8% target.

Prolonged travel restrictions will reduce the country's service exports, which in 2018–19 accounted for about 5% of GDP. A reduction in private transfers, estimated at $6 billion (6% of GDP) in 2018–2019, due to the global economic slowdown, will lead to a slight deterioration in the current account deficit, projected at 5.7% (baseline), with potential to widen further to 6.3% (worst case). Foreign direct investment (FDI), which totaled $3 billion (3% of GDP) in 2018, will also decline as investors defer investment decisions. Lower remittances and FDI will reduce foreign exchange inflows and lead to further depreciation of the Ethiopian Birr (ETB). Reduced economic activity will lead to job losses estimated at between 1.4 and 2.5 million, putting livelihoods at risk.

Policy responses

A ministerial coordination committee was established to recommend and manage the containment measures, and a state of emergency was declared on 10 April to facilitate enforcement.

The government has prepared a $1.6 billion emergency response plan focusing on the health sector, social protection, and sustaining economic activities. It is applying fiscal and monetary policies and enlisting support from developing partners to finance the plan. In March, it allocated about $156 million to the health sector to strengthen its capacity to contain the spread of the pandemic and to expand the surveillance, testing, and management of other diseases. The social protection measures include expanding the reach and depth of existing schemes to protect livelihoods of the most vulnerable population. The economic management measures aim to protect jobs and critical imports to sustain production and livelihoods. To ease financial sector liquidity constraints, the central bank announced ETB 15 billion (about $470 million) for private commercial banks to facilitate debt restructuring and prevent bankruptcies.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	7.7	9.0	7.2	7.1	3.6	5.5	2.6	3.1
Inflation (percent)	13.8	15.8	12.1	9.1	15.3	8.6	15.5	9.0
Budget balance (percent GDP +/–)	–3.0	–2.5	–3.6	–3.4	–2.9	–3.3	–3.5	–3.7
Current account balance (percent GDP +/–)	–6.0	–5.3	–5.3	–5.0	–5.7	–5.0	–6.3	–5.9

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Gabon

Gabon recorded its first COVID–19 case on 12 March 2020 and its first death on 20 March. The authorities placed Libreville in full lockdown mode on 12 April. By 4 May, there were 2,135 positive COVID–19 cases in Gabon, with 462 recoveries and 14 deaths.

Health sector preparedness

According to the World Health Organization, COVID–19 presents a high risk for Gabon given the weak capacities of its health system, the lack of necessary equipment to fight the pandemic, the poor hygienic and living conditions, and the overcrowding in large cities. The 2019 Global Health Security Index ranked Gabon 186 among 195 countries globally, with a low score of 20. The country's ability to diagnose and care for COVID–19 cases is insufficient.

Macroeconomic prospects

In recovery after the 2014 oil market crisis, Gabon's economy is expected to be hit hard by the COVID–19 pandemic, mainly due to the decline in global demand and the sharp drop in oil prices, its main source of revenue. In 2018, oil and gas exports accounted for nearly 30% of Gabon's GDP, 79% of export revenues, and 36% of budgetary revenues. Gabon is expected to fall into recession in 2020 and 2021 (table), even under the baseline scenario. Compared with the pre-COVID–19 situation, a 5.4–7.5 percentage point loss in growth is expected for 2020. So, real GDP would contract by 1.7% if the pandemic subsides by July (baseline) and by 3.8% if it continues through December (worst case). In 2021, real GDP could contract 0.3% in the baseline scenario and 1.4% in the worst case. This will have a strong impact on the budget deficit, which could increase 3.7–6.2 points compared with the initial forecasts, and the current account deficit could explode 11 to 25 times more than the initial forecasts. However, this deterioration of the economic circumstances should not have any notable effect on the level of inflation.

Policy responses

The authorities have taken measures to strengthen the health response and help businesses and vulnerable households. Measures to meet the population's basic needs (health, employment, water, electricity, housing, and transportation) and to support businesses are estimated to cost FCFA 250 billion (€381 million). Macroeconomic stabilization measures have also been undertaken. In general, with an assumed oil price of $36 per barrel of Brent crude, the authorities have temporarily estimated the funding needed to reduce the short-term negative impact of COVID–19 on the national economy at FCFA 506 billion (€770 million). The government is counting on a rapid mobilization of technical and financial support from development partners to help the country respond to the health emergency and reduce the impact on the economy and the population. On 9 April, the IMF approved FCFA 88 billion (€133.7 million) of emergency aid through the Rapid Financing Instrument.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	0.8	3.4	3.7	3.6	–1.7	–0.3	–3.8	–1.4
Inflation (percent)	4.8	2.0	3.1	3.1	4.0	3.5	4.6	4.1
Budget balance (percent GDP +/–)	–0.2	1.7	1.0	1.5	–2.7	–2.6	–5.2	–5.1
Current account balance (percent GDP +/–)	–3.2	–0.8	–0.6	0.8	–6.6	–5.6	–15.3	–11.3

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Gambia

Gambia registered its first case of the pandemic on 16 March 2020, and by 25 May, 25 cases were recorded—with 13 recovered, 6 remained hospitalized, and 1 death.

Health sector preparedness

Despite the limited access to health services, the 2019 Global Health Security Index assessed the country's health system as more prepared to manage infectious disease outbreaks, ranking it 117 among 195 countries globally, and 19 among 54 in Africa. A major strength of the health system is capacity for early detection and response to epidemics, but the capacity to treat the sick and protect health workers remains weak due to shortages of medical staff, equipment, and consumables for laboratories.

Macroeconomic prospects

Real GDP growth for 2020 has been revised from 5.2% to 1.9% if the outbreak slows by July (baseline), with an eventual rebound of 5.9% likely in 2021 driven by foreign-financed public infrastructure ahead of the Organization of Islamic Cooperation summit, scheduled for 2022 (table). If the pandemic continues to the end of 2020 (worst case), GDP could fall into a recession, contracting by 3.1%. Tourism will be the hardest hit, with arrivals set to decline by 28% from 2019, for a loss of $110 million in revenues and 20,000 jobs.

Foreign direct investment inflows, mostly from the United Kingdom, Spain, and Germany, are expected to contract by 34% to $64.7 million in 2020, delaying investments in real estate, construction, tourism, and finance. The decline of remittances from Gambians working in hardest hit Western Europe and United States, which account for 15.3% of GDP, will disproportionately affect vulnerable groups (women, youth, and informal workers), with a negative impact on overall food security, poverty, and income inequality. Inflation is expected to rise above 7.2%, compared with 4.8% previously projected, due to the easing of monetary policy and the closing of borders, as domestic supply fails to meet rising demand. The current account deficit is projected at 12% of GDP in 2020, wider than the 10% previously forecasted. The fiscal deficit would widen to 3% of GDP in 2020 in the baseline scenario, against 2.8% initially planned, and it will be mostly financed through budget support loans and grants.

Policy responses

The government took preventive measures in February 2020, well before a single case was recorded. Since then it stepped up measures to strengthen economic resilience, provide support to the private sector; and assist vulnerable groups.

Health measures. Health sector spending was increased by GMD 0.5 billion (0.5% of GDP) under the Ministry of Health COVID–19 Pandemic Action Plan prepared with this support of development partners. This has helped enforce containment measures, strengthen health security and logistics across the country, and build laboratory capacity.

Macroeconomic measures. The government adjusted domestic fuel prices in line with global market prices, reallocated resources from non-priority spending, and froze energy subsidies, travel, and vehicle expenses. The central bank reduced its policy rate by 50 basis points in February 2020 to 12% and increased the standing deposit facility rate by the same margin to 3% to boost liquidity and support private sector growth.

Social measures. The government is helping the most vulnerable by providing food aid (a bag of rice, a bag of sugar, and 10 liters of cooking oil). It also took supportive steps to protect jobs in key sectors, such as coverage of salaries of workers in the tourism sector for three months (April–June 2020) through social security. Extensions for VAT tax returns for businesses were also granted.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	6.6	5.4	5.2	5.0	1.9	5.9	–3.1	2.9
Inflation (percent)	6.5	5.1	4.8	5.3	7.2	6.2	7.6	7.0
Budget balance (percent GDP +/–)	–6.6	–4.1	–2.8	–3.5	–3.0	–2.6	–3.6	–2.9
Current account balance (percent GDP +/–)	–12.2	–5.4	–12.0	–13.2	–10.0	–10.4	–10.8	–11.1

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Ghana

Ghana reported the first two cases of COVID–19 pandemic on 12 March 2020. By May, it had tested 162,184 suspected cases—5,127 were confirmed positive, and of the positive, 494 have recovered, with 22 deaths.

Health sector preparedness

Ghana's health system is ranked high among its African peers but falls short of standards of global preparedness for a pandemic. The 2019 Global Health Security Index ranked Ghana 105 among 195 countries globally with a score of 35.5 of 100 on preparedness for a pandemic. Ghana ranked favorably on prevention, detection, and reporting of pandemics, but less favorably on rapid response, compliance with international norms, and the risk environment in pandemics.

Macroeconomic prospects

Trade, commodity prices, and foreign direct investment are the main transmission channels of the global pandemic to the domestic economy. A sharp decline in global prices of Ghana's main commodity exports including oil and cocoa will reduce export earnings and further worsen the balance of payments. COVID–19 induced global uncertainty is likely to disrupt foreign direct investment flows into existing businesses and delay closings of greenfield projects.

If the outbreak slows by July (baseline), real GDP growth is projected to decline from 6.1% in 2019 to 2.1% in 2020 and 5.6% in 2021 (table). If the pandemic persists until the end of 2020 (worst case), real GDP growth could fall to 1.2% in 2020 and 4.8% in 2021.

The economy is expected to experience some inflationary pressures, with average inflation rate projected to reach 12.7% in 2020 and 10.6% in 2021. On the fiscal account, reduced export earnings due to slump in global oil prices and unanticipated increases in pandemic- related health and social spending could widen the deficit in both baseline and worst-case scenarios and challenge the government's commitment to a fiscal deficit target of 4.7% of GDP in 2020. The current account deficit in the baseline and worst-case scenarios is expected to remain above 3% of GDP as a result of declining export proceeds and reduced diaspora remittances. With elevated debt levels and high foreign participation in domestic debt markets, public debt remains a key source of macroeconomic risk.

Policy responses

The government introduced various monetary, fiscal, and social measures to mitigate the negative impacts of the pandemic on the economy. Monetary policy measures include reducing the policy rate from 16% to 14.5%, removing charges on mobile money transactions below GH¢100 for three months to end-June, lowering the reserve requirement ratio from 10% to 8% and cutting the conservation buffer for banks from 3% to 1.5%. Fiscal measures include establishing the Coronavirus Alleviation Program capitalized with $219 million, the National Trust Fund (COVID–19 Fund), and the Ghana COVID–19 Private Sector Fund. Other fiscal measures to mitigate the social impact include subsidizing water bills by 100% and electricity bills by 50%, from April to June 2020, and special life insurance cover and other pay incentives for frontline health professionals dealing with the pandemic.

Policy measures should stimulate local production and facilitate regional trade to limit the wider macroeconomic consequences of the pandemic. The government should scale up key flagship programs—such as Planting for Food and Jobs and Planting for Exports and Rural Development —to increase agricultural production and boost nontraditional exports.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	6.3	6.1	5.8	4.8	2.1	5.6	1.2	4.8
Inflation (percent)	9.8	8.7	8.5	7.5	11.2	9.3	12.7	10.6
Budget balance (percent GDP +/–)	–3.5	–5.0	–3.4	–3.3	–6.8	–5.6	–7.3	–6.3
Current account balance (percent GDP +/–)	–3.1	–3.0	–4.0	–4.4	–3.6	–3.2	–4.1	–3.1

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Guinea

Guinea reported its first confirmed case of COVID–19 on 12 March 2020. By 5 May [update], the number of reported cases stood at 1,811—with 498 recoveries, 1,303 hospitalizations, and 10 deaths.

Health sector preparedness

Guinea has quite low capacity to deal with the pandemic. The 2019 Global Health Security Index ranked the country 125 among 195 globally and 22 among 54 in Africa, with a score of 32.7 of 100. Given Guinea's experience in dealing with the Ebola crisis, it received relatively favorable scores on early detection and reporting for epidemics of potential international concern and on its commitment to improving national capacity, financing plans to address gaps, and adhering to global norms.

Macroeconomic prospects

The COVID–19 pandemic will slow the Guinean economy through the channels of foreign trade, foreign direct investment, remittances, foreign reserves, and government revenue and expenditure.

If the outbreak slows by July (baseline), real GDP growth is projected to decline to 1.4% in 2020, from 6.2% in 2019, and to recover to 5.8% in 2021 (table). If it continues through the end of the year (worst case), the economy could contract by 1.8% in 2020, but recover by 3.8% in 2021 as effects of the pandemic dissipate and economic conditions improve.

Inflation is expected to be resilient to the crisis, with projections of 8.6% in 2020 and 7.6% in 2021 in the baseline and 8.7% and 8.0% in the worst case. The outbreak of the pandemic and associated impact on the economy are likely to reduce revenues, creating large funding gaps. But lower oil prices might offset the fall in revenues, helping to keep the budget deficit at 2.9% of GDP in 2020 (baseline)—and widen slightly to 3.1% of GDP in 2020 and 3.4% of GDP the year after (worst case). The current account deficit is projected at 23.2% in 2020 and 16.9% in 2021 (baseline) and 24.1 and 16.4% in the worst case. The Guinean franc will likely continue to depreciate in the medium term as the country struggles to accumulate foreign exchange reserves in the face of reduced exports.

Policy responses

The government has started to implement an Emergency Response Plan (Ministry of Health) and an Economic Recovery Plan (Prime Minister's Office). It has reinforced the health surveillance system and started building new health infrastructure. It has also taken several measures to protect the population, including the distribution of protection kits, cash transfers to 240,000 households, and free water and electricity from April to June 2020. And it has taken measures to protect businesses by reducing the financial and tax burdens for the most affected sectors (notably hotels and tourism) and by easing financing conditions.

The government expects massive financial support from development partners to gather enough resources to implement its emergency plans. For the measures to be effective, the government must act rapidly and massively. First, it should protect the population by allocating more resources to the health and social sectors, reinforcing capacities and infrastructure in the health sector, and protecting the most vulnerable households. Second, it should protect businesses affected by the crisis, implementing such measures as tax holidays and relief, subsidies, and guarantees to ease access to credit. Third, the central bank must support the economy by providing liquidity while limiting risks to the financial system—lowering the policy rate and easing reserves and refinancing rules.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	6.0	5.5	6.0	6.0	1.4	5.8	–1.8	3.8
Inflation (percent)	9.8	9.5	9.4	6.4	8.6	7.6	8.7	8.0
Budget balance (percent GDP +/–)	–1.5	–0.9	–2.8	–2.7	–2.9	–3.1	–3.1	–3.4
Current account balance (percent GDP +/–)	–2.3	–13.6	–18.0	–14.2	–23.2	–16.9	–24.1	–16.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Guinea-Bissau

Since the first case reported on 25 March 2020, the number of positive cases in Guinea-Bissau increased to 257 by 1 May—with 19 recoveries, and 1 recorded death. The government declared an alert in the country on 18 March and a state of emergency on 25 March.

Health sector preparedness

Guinea-Bissau is one of the 10 least prepared countries to deal with the pandemic. The Global Health Security Index ranked it 186 among 195 countries globally, and 51 among 54 countries in Africa, with the second-worst health system score. The country performed poorly on all prevention-related subcategories except vaccination rates. It lacks intensive care unit beds, equipment, and human resource capacity. Since no center for isolation is operating, people testing positive live with their families, posing a high risk of contagion.

Macroeconomic prospects

GDP growth outlook for 2020, initially estimated at 5%, was revised to –1.5% in the baseline (the pandemic slows by July) and –3.1% in the worst case (it continues through December) (table). Reduced cashew nut prices and export volumes are the main factors for the negative growth projection. Growth prospects are more favorable for 2021, estimated at 2.1% in the baseline and 2.0% in the worst case thanks to the expected resumption of exports to India and Vietnam. The projection for the budget balance shows a widening of the deficit to 4.5% in 2020 from 2.8% in 2019, mainly because of the decline in cashew nut exports and the economic lockdown, which is likely to affect collection of domestic revenues. Cashew trade is an important source of public revenue, representing 9% of total revenue. Other important sources of revenues are grants and fishery licenses. A slight improvement of the budget deficit is expected in 2021, between 4.5% and 4.1%.

Lower international oil prices may counter the negative effect of the pandemic on the trade balance. Even so, the current account deficit is projected to more than double from 3.4% of GDP in 2019 to 7.3% in 2020 in the baseline scenario and to 8.0% in the worst case. It will recover in 2021 to 5.9% in the baseline and 6.4% in the worst case, conditional on export performance. Sluggish domestic demand caused by reduced income will reduce CPI inflation, previously estimated at 2.2% in 2020, to 0.9%. Economic recovery is expected to increase prices in 2021, bringing the inflation rate to 1.6% in the baseline scenario and 1.9% in the worst case.

Policy responses

On 18 March 2020, the government closed all border entry points, except for medical evacuations, supplies of medicines, and imports of basic food. Restrictions on movement of people were also imposed across the country, except from 7am to 11am. Despite the government's quick response to monitor incoming citizens to avoid the spread of the pandemic, the lack of funds and equipment put in question the ability to deal with a disease outbreak. International partners and bilateral donors were mobilized to support the country, but the political impasse due to a judicial dispute over the results of presidential elections delayed aid implementation.

No specific macroeconomic measures were adopted, as the country remains mired in political deadlock with no clear policy direction. Improvement in the political environment could pave the way for providing staple food, water, and hygienic products to families, creating storage spaces, and providing credit lines to producers to invest in machinery to process the harvest and and create jobs in the secondary sector.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.8	4.5	5.0	5.1	–1.5	2.5	–3.1	2.0
Inflation (percent)	0.4	0.2	2.2	2.3	0.9	1.6	1.0	1.9
Budget balance (percent GDP +/–)	–5.1	–5.0	–3.1	–3.2	–4.5	–4.1	–4.8	–4.5
Current account balance (percent GDP +/–)	–3.5	–10.3	–3.3	–3.0	–7.3	–5.9	–8.0	–6.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Kenya

The first COVID–19 case in Kenya was confirmed on 12 March 2020, and by 26 May, confirmed cases stood at 1,346, with 405 recoveries and 52 deaths. Various measures introduced incrementally to contain the spread of the virus range from social distancing to curfews and partial lockdowns in selected localities.

Health sector preparedness

Kenya established a National Emergency Response Committee to manage the pandemic. The 2019 Global Health Security Index measuring country preparedness to cope with infectious diseases ranked Kenya 55 globally and 2 in Africa, after South Africa. Kenya scored below average on three of the six indicators—rapid response, health systems, and risk environment—suggesting the need to prioritize these areas to fight infectious diseases.

Macroeconomic prospects

Demand and supply shocks will hit all sectors—especially tourism, industry, and agriculture, still suffering from the locust invasion. On the demand side, containment measures will reduce household consumption, slow investment, and reduce exports and imports. As a result, real GDP growth in 2020 is projected to decelerate to 1.4% (baseline), from 5.4% in 2019, and to 0.6% in the worst case (table).

Escalation in supply shocks could stoke higher prices for imports and domestically produced products, fueling inflation, which is projected to tick up 5.6–5.7% in 2020, against 5.2% in 2019. The fiscal deficit is projected to widen to 7.9% in the baseline, mainly due to increased health spending and the social and economic stimulus package and expected low revenues. Public debt is forecast to increase to 68.2% of GDP in 2020 from 58% in 2019 as a result. The projected fiscal deficit in the worst case is higher, at about 8.3%. Reduced fuel import bills could offset the decline in exports and tourist receipts, narrowing the current account deficit by a percentage point in the baseline to 4.8% in 2020, from 5.8% in 2019. Hit by reduced diaspora remittances, lower tourism and export earnings, and reversed capital flows, the currency depreciated to KES106 per dollar at end-April, from KES101 at the beginning of March 2020. Foreign exchange reserves dwindled to $7.9 billion (4.8 months of import cover) at end-April 2020 from $8.4 (5.1 months) from March 2020. For 2021, growth is projected to rebound, inflation pressure to ease, and fiscal and current account deficits to narrow.

Policy responses

The government has introduced measures (including the 8-point economic stimulus program) to mitigate the health, social and economic impact of the pandemic and stimulate growth. On the fiscal policy front, the government is rechanneling resources to the health sector to hire additional health workers, increase the bed capacity of public hospitals, and enhance research capacity of medical health facilities. It is improving the cash flow of businesses by settling outstanding value added tax (VAT) refunds and pending bills, reducing corporate and turnover tax, offering soft loans to the tourism sector, and injecting seed capital for SME credit guarantee schemes. It is protecting the disposable income of households by revamping existing safety net program and introducing cuts in the income tax and VAT rates. As part of its eight-point economic stimulus program, it is investing in public works, agriculture, manufacturing, and services. The fiscal stimulus is expected to cost the government KES 173 billion ($1.63 billion).

On the monetary and financial policy front, the emergency response consisted of a cut in the policy rate from 8.25% to 7% and reduction in the cash reserve ratio from 5.25% to 4.25% to free KES 35.2 billion to address difficult credit market conditions for affected businesses.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	6.5	5.7	6.0	6.2	1.4	6.1	0.6	5.7
Inflation (percent)	4.7	5.1	5.1	5.2	5.6	4.9	5.7	4.6
Budget balance (percent GDP +/–)	–7.0	–7.4	–5.0	–4.8	–7.9	–6.7	–8.3	–7.3
Current account balance (percent GDP +/–)	–5.0	–4.7	–4.8	–4.9	–4.8	–4.5	–4.2	–3.9

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Lesotho

Lesotho had registered only one case by 12 May 2020. Even so, the government adopted a range of containment measures, including social distancing, travel restrictions, a national state of emergency, closures of borders to all but essential goods, closures of schools, and imposition of a lockdown.

Health sector preparedness

Lesotho has no operational testing facilities, so all suspected cases are sent to South Africa for testing, and hospitals have the capacity to treat only 100 patients at a time. Lesotho ranked very low on the 2019 Global Health Security Index at 144 among 195 countries, with a score of 30.2, reflecting its weak health infrastructure. It recently acquired testing equipment and is training personnel in its use, which it is not yet operational.

Macroeconomic prospects

The decline in exports to South Africa and the United States will have an adverse impact on growth and macroeconomic stability. Tourism receipts and remittances from South Africa will also decline. Real GDP is projected to contract by 5.4% in 2020 and 4.4% and 2021 in the baseline (table), and it could contract by up to 7.3% and 4.7% in the worst case.

The fiscal deficit is projected to widen to 7.8% of GDP in 2020 and 5.2% in 2021 in the baseline, and to 8.5% and 5.7% in the worst case. It is expected that domestic revenue will decline, with an expected loss of revenue of $80 million in the absence of receipts from the Southern African Customs Union (SACU). The fiscal imbalance stems from lower revenues in SACU as well as reduced domestic and import tax revenue due to subdued economic activity and lower imports from China, including those for the textile industry, which constitute 11% of the country's imports.

The decline in imports from South Africa, mainly foodstuffs and other basic commodities, will contribute to food shortages and fuel inflationary pressures. But moderated by lower oil prices, inflation is projected to tick up only to 5.6% in 2020 and 6.1% in 2021 in the baseline. For the current account, the projection for the worst-case scenario shows a slight improvement in 2020. The declines in exports to South Africa and the United States —and in investments from China and South Africa—will lead to deteriorations of 11.2% of GDP in 2020 and 8.9% in 2021 in the baseline and to 12.6% and 8.5% in the worst case.

Policy responses

To mitigate the economic impact of the pandemic, the government set up the Private Sector/Economic Relief Fund ($33 million) and Disaster Relief Fund ($47 million) aimed at supporting micro, small, and medium enterprises and tax-related relief measures to ease cash flow problems. It also created a Food Security and Emergency Support fund ($80,000) to improve household food security and nutrition through provision of agricultural production subsidies.

The Private Sector Fund will expand credit guarantee facilities to the Lesotho National Development Corporation and the Ministry of Small Business. It will target tourism and food sectors, among other small enterprises. To ease borrowing costs and provide relief for interest payments on existing loans, the central bank reduced the key policy rate from 6.25% to 5.25% a year and ordered commercial banks to pass on the benefits of lower interest to businesses by reducing their prime lending rates.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	1.2	3.9	0.3	2.8	–5.4	4.4	–7.3	4.7
Inflation (percent)	3.9	5.2	5.3	5.4	5.6	6.1	5.9	5.1
Budget balance (percent GDP +/–)	–5.1	–5.5	–4.0	–3.7	–7.8	–5.2	–8.5	–5.7
Current account balance (percent GDP +/–)	–4.6	–8.4	–3.6	–3.1	–11.2	–8.9	–12.6	–8.5

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Liberia

Liberia reported its first COVID–19 infection on 16 March 2020, and by 10 May, it had 199 confirmed cases, including 20 deaths while 86 had recovered. Almost all confirmed cases were locally transmitted, and 25% were among health workers, including one death.

Health sector preparedness

On the 2019 Global Health Security Index, Liberia ranks 16 among 54 countries in Africa and 111 among 195 countries globally, and is on average rated "more prepared." While there have been improvements in emergency preparedness since the Ebola virus outbreak in 2014, weaknesses and vulnerabilities remain, including inadequate numbers of health workers, insufficient infrastructure and equipment, and weak supply chains.

Macroeconomic prospects

Liberia's patchy economic recovery since the Ebola crisis of 2014 has been derailed by the pandemic. In 2019, the real economy grew by only 0.4% due to the weakening of the external sector. It was projected to grow by 1.6% in 2020, underpinned by stronger performance in mining (gold and iron ore), agriculture, forestry, and services. Macroeconomic stability was to be restored with the implementation of an adjustment program supported by the International Monetary Fund. But the COVID-19 pandemic is reversing the fragile gains since the Ebola crisis, and could have an even greater impact on the economy.

Real GDP is forecast to contract by 2.5% in 2020 in a baseline scenario (table). A deeper recession is projected, with persistence in the spread of the COVID–19. In this worst-case scenario, real output could plunge by almost 3.3% in 2020. The recession will be driven mainly by declining exports of iron ore, gold, diamonds, and rubber, and a fall in the services sector including travel and tourism.

Inflation is expected to rise to 23.9% in 2020 due to an increase in the price of imported food and other commodities. In the worst scenario, the current account deficit could widen to 28.4% in 2020 due to weak performance of the external sector amid increased import requirements of food and other commodities, while a fall in oil prices could compensate for a further widening of the current account deficit. In this case, the budget deficit is expected to be at 6.8% in 2020 as government expenditures increase to contain the pandemic amid declining revenue due to a slowdown in business activities. Donor grants and debt relief will help to maintain a reasonable budget deficit, which would otherwise be much wider, up to 7.9% in 2020 in the worst-case scenario. The anticipated FDI would not be realized as investment decisions may be affected. A turnaround is expected in 2021 when GDP growth is forecast to rebound to at least 2.4% as the world and Liberian economies recover from the COVIS-19 crisis. Inflation is expected to reach 17.8% in 2021 in the baseline scenario and 20.6% in the worst case.

Policy responses

On 21 March 2020, the government declared the pandemic a health emergency and on 10 April, the President declared a state of emergency that led to 21 days of national lockdown. On 20 April 2020, parliament extended the state of emergency to 60 days. In tandem, the government developed a COVID–19 pandemic response plan implemented with wide support from development partners. The priority for the government has been to contain the pandemic through prevention and treatment while mitigating the severe impacts of the lockdown on the most vulnerable population.

The government put in place several measures including food distribution to poor and vulnerable households for 60 days with an estimated budget of $25 million; provision of free electricity and water to households during the lockdown; suspension of the charge on imported goods for six months and of the preshipment inspection penalty until otherwise notified. Because a quick economic recovery will be essential to mitigate a prolonged recession, the government has developed an economic recovery plan promoting private sector growth, strengthening domestic revenue mobilization, and ensuring fiscal discipline amid competing budget priorities.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	1.2	–2.5	1.6	1.3	–2.5	2.4	–3.3	1.3
Inflation (percent)	23.5	26.8	20.5	17.4	23.9	17.8	33.3	20.6
Budget balance (percent GDP +/–)	–5.4	–5.7	–6.5	–6.2	–6.8	–7.0	–7.9	–7.5
Current account balance (percent GDP +/–)	–22.4	–22.3	–20.9	–20.0	–28.4	–22.7	–30.7	–25.0

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Libya

By 26 May 2020, only 75 confirmed cases have been detected in Libya—40 have recovered, 32 are under follow-up, and 3 died. Although the number of confirmed cases is still low compared to the neighboring countries, Libya remains at risk of the pandemic, since the complex current political and security context has decimated the public health system.

Health sector preparedness

Libya has very limited capabilities to curb the spread of the pandemic and to treat affected people. The WHO Service Availability and Readiness Survey in 2019 found that, about 20% of primary health care, tertiary hospitals and specialized health facilities have been partially damaged or destroyed. Many health care facilities lack adequate water, sanitation, and hygiene facilities, a situation aggravated by effects of the armed conflict. Reflecting these challenges, the 2019 Global Health Security Index ranked Libya 168 of 195 countries, with very poor scores on health capabilities and on the capacity to respond to pandemics.

Macroeconomic prospects

Double-digit inflation is projected for 2020 (both scenarios) with adverse effect on welfare. With the sharp decline in oil prices following the outbreak of the pandemic, Libya's fiscal and current account deficits are respectively projected at 17.2% of GDP and 12.1% of GDP in 2020 in the baseline scenario (table). Projections in the worst-case scenario are even deeper.

The deterioration in macroeconomic conditions will be reflected in output contractions, with the economy headed toward another recession just four years after the previous one in 2016. Real GDP is projected to contract by 25.4% in 2020 if the outbreak is contained by July (baseline) and 43.7% if the outbreak and oil blockade persist (worst case). In 2021, oil prices are expected to slowly increase while the country's production would continue to depend on the security situation. Thus, the prospects for 2021 are slightly more upbeat with growth expected to recover to 5.5% in the baseline scenario and 3.4% in the worst case.

Policy responses

Although no confirmed cases of the pandemic were detected in Libya until 23 March, the Libyan authorities put in place early measures in line with WHO recommendations. The government declared that all medical facilities and international health monitoring offices at land, sea, and airports would be equipped to cope with any suspected cases, including quarantines and allocations of ambulances. The government has also provided passport offices at air and seaports with a follow-up card for all passengers returning to Libya, to track potential health risks of citizens who may have been infected outside Libya. On 14 March, the Government of National Accord announced a state of emergency, including closures of all borders, public events, and educational and other facilities. It also announced a dusk-to-dawn curfew, except for security, health workers, and other people involved in pharmacy services, environmental work, energy, telecommunications and cargo. Food shops and firms as well as bakeries and gas stations have been spared from the shutdown order, while state institutions undertake their duties during non-curfew hours.

The government has also announced an allocation of LYD 500 million ($357 million) to the Ministry of Health pandemic response plan. This allocation is part of the annual budget of LYD 38.5 billion ($27.9 billion), approved on 4 March 4. But funding has not been readily accessible due to liquidity challenges resulting from the oil blockade. Priority has been given to delayed wages– unpaid since January 2020—to ease the impact of COVID–19 on state employees and medical staff. Additional monthly incentives to medical staff were also announced in April 2020.

Containing and recovering from the pandemic could be undermined by continued hostilities. So, establishing a ceasefire in Libya and reaching a political agreement between the two rival parties are essential. That would also create conditions for reforms to accelerate Libya's economic diversification and to reduce dependence on oil revenues.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	7.8	4.0	4.8	4.9	–25.4	5.5	–43.7	3.4
Inflation (percent)	13.6	–2.7	8.8	8.9	12.2	7.5	15.4	9.2
Budget balance (percent GDP +/–)	–5.9	25.3	–14.9	–14.9	–17.2	–15.9	–22.5	–16.3
Current account balance (percent GDP +/–)	10.8	33.2	–7.8	–7.0	–12.1	–8.5	–19.8	–9.2

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Madagascar

Madagascar recorded its first three confirmed cases of COVID–19 on 20 March 2020. By 25 May, 5,670 tests had been performed and there were 527 confirmed cases—with 142 recoveries, 383 still being treated, and 2 deaths.

Health sector preparedness

Madagascar's health system is ill-prepared to face the pandemic. The 2018 Global Health Security Index ranks Madagascar 86 among 195 countries globally, with a score of 40.1 (of 100). The country received a very low score of 0.6 for health capacity in clinics and hospitals, ranking 194 for this criterion.

Macroeconomic prospects

Before the global pandemic, Madagascar's economic forecasts were quite favorable. After reaching 4.6% in 2018, then 4.8% in 2019, real GDP growth was forecast at 5.3% for 2020 (table). The COVID–19 crisis will likely disrupt this momentum, primarily affecting trade and tourism, as well as foreign direct investments. Due to a slowdown of textiles and mining, trade, transportation, and tourism, the country is expected to experience a 5.2–8.3 percentage point loss in GDP growth. So, real GDP in 2020 would grow by only 0.1% if the pandemic subsides by July (baseline) and contract by 3% if it continues through December (worst case). In 2021, growth would rebound to 4.9% in the baseline scenario and to 5.6% in the worst case. The slowdown will likely result from a reduction in public and private investments which will delay project implementation and freeze or delay foreign investment.

The downturn in economic activity will reduce direct and indirect tax revenues and increase the budget deficit by an estimated 0.3–1.2 points of GDP in 2020. The current account balance should also decline due to a strong contraction of exports, the break in tourism activities, and the likely freeze of foreign investment. The COVID–19 crisis would also reduce central bank reserves and lead to a depreciation of the national currency. In this context, the inflation rate is expected to increase by about one point in 2020. If the international situation improves and the pandemic is controlled, Madagascar's economy could reach its pre-crisis level of growth in 2021.

Policy responses

Once the first confirmed cases of COVID–19 appeared, the public authorities took strong measures, declaring a health emergency that included restrictions on public gatherings and travel. On a therapeutic level, the government quickly adopted a traditional plant-based treatment, labeled Covid Organics (CVO). For the private sector, the public authorities established a six-month tax break for tourism businesses and delayed employer contributions to the national social security fund (Caisse Nationale de Prévoyance Sociale) until late July 2020. To face the crisis, the government should accelerate the implementation of a global response plan to better coordinate the health response with economic and social measures. Particular attention must be paid to implementing a transparent mechanism for managing crisis-related funds.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	4.6	4.8	5.3	5.1	0.1	4.9	–3.0	5.6
Inflation (percent)	8.6	5.6	6.1	5.8	7.0	6.0	7.2	6.3
Budget balance (percent GDP +/–)	–1.5	–1.8	–4.1	–4.9	–4.4	–4.0	–5.3	–4.5
Current account balance (percent GDP +/–)	0.8	–1.1	–1.7	–2.4	–4.3	–3.0	–5.9	–4.0

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Malawi

Malawi confirmed its first three cases of COVID–19 on 2 April 2020. By 7 May, there were 43 confirmed cases, with four recoveries and three fatalities. One of the first steps was to appoint a Crisis Cabinet Committee on COVID–19, followed by the President's declaration of a state of disaster. The 21-day lockdown from 18 April to 9 May 2020 was suspended by a court injunction for fear of the adverse impact on the poor. The government launched the National COVID–19 Preparedness Response Plan now under implementation.

Health sector preparedness

The 2019 Global Health Security Index ranked Malawi at 154 among 195 countries with a score of 28 of 100, rating it least prepared for handling of pandemic outbreaks. Only 10% of households have access to sanitation, hygiene, and hand washing services, essential for COVID–19 prevention. The pandemic response budget of $213.2 million covering January to June 2020 allocated $20 million to strengthen preparedness for handling infectious diseases and to support the post-COVID recovery. Prior to the outbreak, only 9.3% of GDP was devoted to health expenditures, against a target of 15%.

Macroeconomic prospects

The pandemic could slow GDP growth in 2020 to 1.3% in the baseline scenario and to 0.6% in the worst-case scenario (table). Growth would recover respectively to 2.6% and 3.3% in 2021, driven by agriculture, tourism, and export receipts and a rebound in foreign direct investment. In the short term, the subdued foreign exchange inflows could depreciate the local currency. The downside risks to the outlook would be amplified by the post-election impasse since May 2019. Fresh polls have been set for 2 July, but this date may be brought forward.

The $213.2 million spending to contain the effects of the pandemic is likely to widen the fiscal deficit to 6.1% of GDP in the baseline scenario, which could further deteriorate to 6.6% of GDP in the worst-case scenario, should the pandemic persist until the end of 2020. And the public debt to GDP ratio could widen beyond the current 62% of GDP, and inflation could rise to 12.2% in 2020 driven by import supply disruptions. The current account deficit would widen to 17.8% of GDP in 2020 from 16.7% in 2019, driven by lower than expected foreign exchange earnings from tobacco, Malawi's main export.

Policy responses

The government adopted a mix of fiscal and monetary policies in response to the pandemic. In the short term, the national response measures include increased health spending to purchase testing equipment and 20 ventilators, refurbish quarantine centers, build capacity, and recruit 2,000 healthcare workers. It is important that expenditure on health is unaffected by election-related spending to ensure effective implementation of containment measures. In the medium term, livelihoods support, social protection, enhanced support to private sector, and macroeconomic stabilization measures to meet urgent balance of payments gaps and narrowing of fiscal deficit have been prioritized.

The immediate revenue shocks to businesses induced by the COVID-19 pandemic have exposed the companies to liquidity challenges. In response, the Reserve Bank of Malawi eased the liquidity reserve requirement on commercial banks to free up an equivalent of $16.3 million for onlending to businesses, coupled with interest rate restructurings. Fiscal policy adjustments include tax waivers on personal protective equipment for health workers, soap, and hand sanitizers, waivers of the tourism levy, voluntary tax filings over six months, fuel price cuts by 15%, increased loan allocations to small and medium enterprises, and tax cuts on mobile money and electronic payment services by 40% for all transactions. A more sustainable post-COVID–19 recovery strategy should focus on creating conditions for private sector investment that allow the government to collect enough domestic revenues to finance infrastructure development and provide critical social services.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	4.0	4.5	5.2	5.5	1.3	2.6	0.6	3.3
Inflation (percent)	9.2	6.4	8.4	7.7	12.2	9.2	12.4	10.2
Budget balance (percent GDP +/–)	–4.7	–5.9	–4.3	–4.6	–6.1	–5.9	–6.6	–6.2
Current account balance (percent GDP +/–)	–16.2	–16.4	–17.4	–17.8	–17.5	–16.8	–18.0	–17.0

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Mali

Mali recorded its first COVID–19 case on 25 March 2020. By 5 May, the country had 612 official cases—with 228 recoveries, 352 still hospitalized, and 32 deaths.

Health sector preparedness

Mali's health system is unable to face a widespread health crisis. The 2019 Global Health Security Index ranked Mali 147 among 195 countries globally, with a score of 29 (of 100), placing it among countries least prepared to face the crisis and manage an epidemic. This ranking is due to the health system's low capacity to treat the sick and protect health workers (score of 13), prevention (23.4), and early detection and reporting of epidemics (25.5). Mali has one of the world's lowest health expenditures at $31 per capita in 2017, or half the standard of $60 recommended by the WHO.

Macroeconomic prospects

Classed as a country in transition since 2015 due to the security crisis in the north, Mali is expected to be weakened further by COVID–19. Compared with the pre-COVID–19 forecast, the country could experience up to a 5.4 percentage point loss of growth (table). This downturn would come from a contraction of production in some industries (slowdown of supply), restrictive measures in the hotel, transportation, trade, and restaurant sectors, and a reduction of public investments and domestic demand.

Real GDP in 2020 would grow by 1.4% if the pandemic subsides by July (baseline) and contract by 0.5% if it continues through December (worst case). The general decline of economic activity will likely increase the budget deficit, which would increase at least 1.7 percentage points of GDP due to an estimated loss of tax revenues of FCFA 182.2 billion at the end of the first quarter of 2020 and an increase in public debt. But the temporary suspension of debt servicing declared by the IMF and G20 should offset this increase. The current account deficit could improve slightly as imports may decline faster than exports and oil prices will likely drop. Compared with 2019, inflation is expected to show a slight increase due to possible supply disruptions. If the global situation improves, growth could rebound in 2021 to 4.0% in the baseline and to 3.3% in the worst case.

Policy responses

In addition to the security issues, which remain a central concern, the Malian authorities are concentrating their efforts on health and socioeconomic measures to fight COVID–19. To this end, the government adopted a FCFA 34.12 billion COVID–19 prevention and response action plan, FCFA 20 billion of which is financed by the national budget. The authorities also announced a set of fiscal, social, and economic measures, with the overall cost estimated at FCFA 500 billion. The measures are meant to support businesses (particularly small and medium businesses and industries) by facilitating access to loans (FCFA 20 billion to the private sector guarantee fund) and reducing cash flow constraints (FCFA 100 billion for reimbursements of domestic debt, FCFA 43.6 billion for tax remittances and postponements of tax and duty payment deadlines). The measures are also establishing a special fund of FCFA 100 billion for supporting the most vulnerable households, strengthening price controls to avoid price gouging, and free distribution of 56,000 tons of grain and 16,000 tons of livestock feed.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	4.9	5.0	4.9	4.9	1.4	4.0	–0.5	3.3
Inflation (percent)	1.9	1.9	1.9	1.9	0.8	1.9	1.2	2.4
Budget balance (percent GDP +/–)	–4.7	–3.6	–2.7	–2.9	–4.4	–3.7	–4.9	–4.6
Current account balance (percent GDP +/–)	–4.9	–5.0	–6.3	–7.0	–5.6	–6.0	–5.7	–6.3

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Mauritania

Mauritania had 237 confirmed cases of COVID–19 as of 25 May 2020, including 9 recoveries and 6 deaths. It experienced a surge, with the number of cases rising from 9 on 15 May to 131 on 19 May. Despite the increase in confirmed cases, the government is continuing to ease restrictions, a process that began on 24 April with the reopening of markets and businesses. Social distancing remains encouraged and face masks are mandatory. Schools and universities will not reopen until late June, and a curfew remains in effect until 12 June.

Health sector preparedness

Mauritania's health care system is not equipped to contain the spread of COVID–19 throughout the country or to treat patients in the event of rapid spread. It has very limited medical infrastructure and a shortage of qualified health care professionals. The 2019 Global Health Security Index ranked Mauritania ranked 157 among 195 countries, with an overall score of 27.5 of 100.

Macroeconomic prospects

Reduced global demand for iron and copper will hit economic growth, as well as exports, investments, and public revenue. Projected public investment in 2020 was revised downward from 10.6% of GDP to 7.7% of GDP According to Mauritanian authorities, foreign direct investment, primarily in the extractive sector, is expected to be one-third lower in 2020 than initially forecast, declining from $937 million to $594 million.

Real GDP in 2020 is projected to slow to 0.9% if the pandemic subsides by July (baseline scenario) and to contract by 1.1% if it continues through December.(worst-case scenario). In 2021, growth would rebound to 3.4% in the baseline and to 2.9% in the worst case.

Given that iron, gold, and copper account for 50% of exports (in 2018), the current account deficit should rise to roughly 17% of GDP compared with the 14.5% of GDP initially forecast (table). In addition, sluggish global trade is expected to cause imports and public revenue to decline. The governments established a fund to mitigate health risks and support the economy, which is expected to increase the budget deficit by 3.7% of GDP (baseline) to 4% of GDP (worst case) against the 0.7% initially forecast. The service and fishing sectors are expected to be severely affected by confinement measures, another factor that will dampen economic growth. The new growth forecast for 2020 ranges from 0.9% (baseline) to –1.1% (worst case) whereas the initial growth forecast was 5.7%. In 2021, growth would rebound to 3.4% in the baseline and to 2.9% in the worst case.

Policy responses

Mauritanian authorities have followed WHO recommendations on COVID–19: suspending all commercial flights to and from Mauritania since 17 March, quarantining all individuals entering the country, banning all nonessential gatherings, and imposing a curfew from 6:00 pm to 6:00 am. In addition, the government has allocated 50 million ouguiyas ($1.3 million) to the COVID–19 emergency response plan.

In early April 2020, the government created a special social solidarity and COVID–19 fund, allocating 2 billion ouguiyas ($54 million). Some Mauritanian businesspeople have contributed to the fund and authorities have also requested financial support from development partners (the World Bank released $1 million). In total, 5 billion ouguiyas (roughly $135 million) are available to help the Mauritanian economy weather the crisis.

The President announced that several measures will be financed through the social solidarity and COVID–19 fund. These include three months of financial assistance for 30,000 needy families, the payment of poor families' water and electricity bills for two months, price controls on wheat, oil, powdered milk, fruits and vegetables for the remainder of 2020, and the suspension of taxes and duties on certain professions and activities.

The central bank aims to increase resources available to banks and facilitate their access to refinancing by reducing interest rates (from 6.5% to 5%) and the reserve requirement ratio (from 7% to 5%).

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.6	6.7	5.7	5.9	0.9	3.4	–1.1	2.9
Inflation (percent)	3.1	3.0	2.9	2.5	3.6	3.1	4.0	3.9
Budget balance (percent GDP +/–)	1.6	0.1	–0.7	–1.2	–3.7	–2.6	–4.0	–2.8
Current account balance (percent GDP +/–)	–18.6	–12.3	–14.5	–13.8	–16.8	–15.0	–17.0	–15.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Mauritius

The first three confirmed cases of COVID–19 pandemic in Mauritius were announced on 18 March 2020. By 1 May 2020, there were 334 confirmed cases, 324 recoveries, and 10 related deaths. An estimated 102,400 tests have been carried out since the start of the outbreak.

Health sector preparedness

Mauritius is among few economies in Africa with high-quality health service. It was ranked 114 of 195 globally and 17 of 54 in Africa in the 2019 Global Health Security Index, with the country performing relatively well in the risk, detect, and respond categories. The outbreak has resulted in a substantial increase in expenditure on health facilities and care. The country initially had the capacity to cope with limited cases of the virus, both from a medical and logistics perspective according to the government and assessment by the World Health Organization (WHO). However, the situation has since evolved into a crisis, and is proving to be a major burden on the country's current health services' capacity and logistics.

Macroeconomic prospects

After several years of steady growth during 2014–19, preliminary projections point to a drastic deceleration in economic activity. Before the outbreak of the COVID-19 pandemic, the macroeconomic outlook was largely favorable, driven by the expected dynamism financial services, information, communication, and technology, real estate and leisure, and the blue economy. Since the outbreak of the COVID-19 pandemic however, there has been a downgrade in economic outlook for 2020 compared to the pre-COVID period (table). Thus, real GDP is projected to contract by 7.5% in the baseline scenario and 11.5% in the worst-case scenario, mainly due to a sharp slowdown in service activities (table). Private investment, initially projected to exceed 15% of GDP in 2020, is now expected to drop substantially toward 10% of GDP by end 2020. A recovery is expected in 2021, with a baseline scenario of growth at 5.3% in the baseline scenario, on the back of an anticipated upturn in critical sectors of the economy and in aggregate demand as the effects of the pandemic dissipate.

Inflation is expected to rise sharply from 0.5% in 2019 to 4.5% in 2020 following the combined effect of an increase in domestic food prices and imported inflation resulting from steady depreciation of the Mauritian rupee. A deterioration of the current account is expected, with the deficit projected to widen to 7.6% of GDP in 2020, from 5.7% in 2019. The fall in tourism revenues is likely to widen the fiscal deficit to 9.1% of GDP, against 3.2% initially forecast. The ramp-up in government spending to support businesses and households will require substantial borrowing, stoking fears of higher public debt. The public debt to GDP ratio, now 65%, is expected to surge to 75% by the end of 2020, breaching the statutory target of 60 % by 2021.

Policy responses

The airport and seaports have been closed to international arrivals since 17 March 2020, and the travel ban remains in place indefinitely. Lockdowns and curfews have been in place since 18 March and were to run through to 1 June.

For emergency relief and fiscal stimulus packages, the government introduced the Plan de Soutien in March 2020 to support economic operators across all sectors of the economy. It also introduced a Wage Support and Assistance Scheme to provide financial support to private sector employees who became technically unemployed due to the pandemic. A COVID–19 Solidarity Fund will support the more vulnerable segments of the population. The Bank of Mauritius reduced the key repo rate from 2.85% to 1.85%. It also cut the cash reserve requirement of banks from 9% to 8% and injected MUR 5 billion ($130 million) into the banking system to shore up liquidity.

Once the international airport and seaports are re-opened, it is strongly recommended that entry bans on arrivals from highly affected countries be maintained. Collaboration with regional peers and pan-African institutions should also be enhanced.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.8	3.0	3.9	4.0	–7.5	5.3	–11.5	5.5
Inflation (percent)	3.2	0.5	3.5	3.5	4.5	4.0	5.2	4.5
Budget balance (percent GDP +/–)	–3.1	–3.2	–3.2	–3.2	–9.1	–6.7	–10.9	–8.0
Current account balance (percent GDP +/–)	–5.8	–5.7	–5.6	–5.2	–7.6	–6.1	–7.8	–6.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Morocco

Morocco reported the first COVID–19 case on 2 March 2020. On 24 May, it reported 7,433 confirmed cases, with 4,703 recoveries, 2,531 active cases, and 199 deaths.

Health sector preparedness

The 2019 Global Health Security Index ranked Morocco 68 among 195 countries globally and 4 in Africa. It is thus one of the countries better prepared for a health crisis. The health sector is sufficiently prepared to treat sick patients and protect health workers. In addition, Morocco established a COVID–19 special fund, which allowed it to rapidly acquire equipment and testing kits. Thanks to targeted grants, Moroccan businesses increased production of masks to meet domestic demand while exporting the surplus. The use of face masks is now mandatory.

Macroeconomic prospects

The pandemic has altered the economic outlook for Morocco in 2020. The crisis affecting Morocco's main trading partners (Spain, France, Italy, and Germany) will hurt exports, particularly natural phosphates and derivative products, which accounted for half of exports and a tenth of GDP in 2018–2019, and imports of equipment for Morocco's global automobile, aeronautic, and electronics sectors. Confinement measures have also hampered tourism, hotels, restaurants, and transportation, with agricultural GDP already hindered by below average rainfall. For these reasons, Morocco is expected to enter a recession in 2020. If the pandemic subsides in the first half of 2020, growth is projected to be 7 percentage points lower than initially forecast, but if the pandemic continues through December, growth is expected to be 8.3 percentage points lower (table). The budget deficit is expected to be 3% to 3.4% higher than forecast before the pandemic. The current account deficit is projected to increase to 7.1% due to reductions in travel spending, transfers from Moroccans living abroad, and direct foreign investment, but this will be offset by lower oil prices.

In 2021, assuming activity returns to normal levels, GDP growth should return to 4%. The budget and current account deficits should improve, respectively reaching 4.8%–5.3% and 4.2%–5.3% of GDP.

Policy responses

A health emergency was declared on 20 March, and a curfew put in place on 22 March. The confinement order has been extended until 10 June. Thanks to the special COVID–19 fund, Morocco acquired 100,000 testing kits, 550 ventilators, and 1,000 intensive care beds, bringing the total number to 2,642. Field hospitals have been set up with support from the army. The Economic Watch Committee (*Comité de veille économique,* CVE) has created social safety nets to support workers, including payments of a monthly allowance of 2,000 dirhams (around $203) to employees of struggling businesses and direct monthly assistance ranging from 800 to 1,200 dirhams ($81 to $216) for informal sector workers, distributed via mobile payments.

Measures to support smaller enterprises include the suspension of social security payments from 1 March to 30 June, a moratorium on bank loans and repayment of leases until 30 June, the establishment of lines of credit for struggling enterprises with government backing up to 95% and at an interest rate pegged to the policy rate of the central bank, the suspension of tax payments for businesses reporting less than 20 million dirham in gross sales in 2019, and the suspension of customs duties on imported soft wheat until 15 June.

In March, the central bank widened the fluctuation band for the dirham to ±5% versus ±2.5%, which had been in force since January 2018, and reduced the interest rate to 2%. On 7 April, authorities withdrew all resources, amounting to $3 billion, from the Precautionary and Liquidity Line in the framework of the three-year agreement for 2018–2020 with the International Monetary Fund. This withdraw offsets the weak mobilization of domestic resources and increased Morocco's foreign exchange reserves to $25.5 million, 5.2 months of imports, and 303% of short-term debt repayments. Budget supports amounting to $792 million expected from other partners will make it possible for the government to honor its commitments and mitigate the negative effects of the pandemic.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.0	2.5	3.7	3.9	–3.3	4.3	–4.6	4.1
Inflation (percent)	1.9	0.3	1.0	1.2	0.4	1.1	0.4	1.3
Budget balance (percent GDP +/–)	–3.8	–3.6	–3.5	–3.3	–6.5	–4.8	–6.9	–5.3
Current account balance (percent GDP +/–)	–5.5	–4.1	–3.9	–3.7	–7.1	–4.2	–7.8	–5.3

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Mozambique

Mozambique announced the first case of COVID–19 on 22 March 2020. This led authorities to close schools and forbid social gatherings of more than 50 people, among other measures. By 25 May, Mozambique had 195 confirmed cases, with 51 recoveries and no deaths or hospitalizations reported.

Health sector preparedness

Mozambique ranked 153 among 195 countries on the 2019 Global Health Security Index. With just one laboratory, Mozambique can conduct only an average of 10 COVID–19 tests a day. Due to the scarcity of financial resources and health and safety equipment, the country could face difficulties in providing isolation and treatment if the pandemic infects a substantial number of people.

Macroeconomic prospects

The effects of the COVID–19 pandemic and the attendant lockdown are expected to reduce Mozambique's economic growth rate to 1.5% in the baseline scenario, assuming the pandemic eases by July (table). Output could contract by 2.0% in the worst-case scenario, assuming the pandemic persists until the end of the year.

Deceleration in growth would be driven by slowdowns in construction, tourism, and transport and by outflows of foreign direct investment. Inflation is expected to rise above 6.6% following the closing of borders and the potential credit crunch on the productive sector, which could drive up prices of goods, particularly food. Domestic supply is already insufficient to meet growing demand, and the instability disrupting logistics in the Center and North of the country may add further pressure on food prices, fueling inflation.

The fiscal deficit would widen to 8.2% of GDP in 2020 in the worst-case scenario against 4.5% initially planned in the budget. Even under a more conservative baseline scenario, the deficit will be more than triple the 2.2% recorded in 2019. The impact on revenues is mainly coming from lower commodity export revenues and slowdown in economic activity due to closure of businesses and limitation of transport activities during the lockdown. On the external position, a collapse in commodity exports would worsen the current account deficit to a projected 62.3% of GDP in the baseline scenario, with potential of further widening to 67.2% in the worst-case scenario.

Policy responses

Mozambique has applied health, social and economic measures to respond to the pandemic, and given the limited fiscal space, it has requested $700 million from development partners to support for the potential health and macroeconomic crises. Key areas of support include strengthening social protection and easing credit constraints.

The Monetary Policy Committee has been providing financial liquidity through a range of credit and macroprudential measures. It reduced the policy interest rate by 150 basis points to 11.25%, cut bank's minimum reserve ratio by 1.5 percentage points for local and foreign currency deposits, and introduced a foreign currency credit line of $500 million for banks to increase liquidity in the economy. It is also easing import licensing, exempting payment of import duties on medicines, reagents, and all COVID–19 prevention material and ventilators, and suspending value-added tax on hygienic products. And it is forgoing fines on delayed tax payments and providing income tax grace until the end of 2020 for micro, small, and medium enterprises and suspending covenants and actions related to banking debt.

Building health system resilience is key to strengthening capacity to face the COVID–19 and future pandemics. In the short term, measures to avoid a credit crunch, prevent job losses, and minimize the impact on the trade balance should be prioritized. These include implementating an adequate mix of monetary and fiscal stimulus and leveraging social programs to increase coverage of vulnerable groups. Reinforcing mobile wallets and payments are also key to avoiding further contagion and minimizing income disruption risks to individuals.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.4	2.2	5.8	4.0	1.5	4.9	–2.0	5.0
Inflation (percent)	3.9	2.8	5.4	5.1	6.6	5.9	7.0	6.3
Budget balance (percent GDP +/–)	–5.5	–2.2	–4.5	–4.3	–7.4	–4.3	–8.2	–4.6
Current account balance (percent GDP +/–)	–29.5	–42.9	–65.2	–64.6	–62.3	–57.0	–67.2	–57.3

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Namibia

The government announced the first two confirmed cases of COVID–19 pandemic on 14 March 2020. By 5 May 2020, there were 21 confirmed COVID–19 cases—with 14 recoveries and no deaths reported. As part of the measures to prevent and monitor the spread of the virus, the Ministry of Health sought to test 200,000 people for COVID–19, targeting the media, fishing, and mining sectors and areas with large gatherings such as open markets.

Health sector preparedness

The 2019 Global Health Security Index ranked Namibia 104 among 195 countries, with a score of 35.6 of 100. Namibia's relatively low ranking is corroborated by a March 2020 report by the Mo Ibrahim Foundation showing that the country is moderately ready to conduct effective point-of-entry screening and monitoring of travelers following the pandemic.

Macroeconomic prospects

The COVID–19 pandemic is expected to amplify Namibia's precarious economic conditions through declining commodity prices and trade, lower tourism receipts and reduced foreign direct investment. Real GDP is expected to contract further by 2.8% in 2020 in the baseline scenario and the economy could sink deep into recession, with output contracting by 5.6% in the worst-case scenario (table). A modest recovery is projected in 2021 under both scenarios, if the pandemic dissipates.

The fiscal deficit is expected to worsen to 5.0% in 2020 and 5.7% in 2021 in the baseline scenario, and respectively to 8.5% and 7.6% of GDP in the worst-case scenario in 2020 and 2021. The deterioration is due to the sharp decline in Southern African Customs Union revenues associated with the fall in trade between SACU members and the rest of the world. Trade and trans-shipments from neighboring countries through Namibia are likely to fall drastically, hitting the current account. Remittances from abroad, especially from South Africa, may also decline. So, the current account deficit is projected at 2.6% in 2020 and 4.0% of GDP in 2021 in the baseline scenario against 4.9% and 4.3% of GDP in the worst-case scenario.

Inflation is projected at 5.5% in 2020 and 4.6% and 2021 in the baseline scenario, and 5.6% and 4.7% respectively in the worst-case scenario.

Policy responses

The economic stimulus and relief package amounting to NAD 8.1 billion (about $450 million) was meant to mitigate the economic and social impact of the pandemic during the 21-day lockdown period. The package comprises NAD 5.9 billion for targeted fiscal support to vulnerable households and businesses directly affected by the lockdown measures, and NAD 2.3 billion for off-balance-sheet government liabilities. Specific measures targeting the business sector include wage subsidies for the hardest-hit sectors, accelerated repayment of overdue and undisputed refunds of value added tax, accelerated repayment of overdue undisputed invoices for goods and services provided to government, and loan schemes for agricultural and nonagricultural small business.

To support growth, the Bank of Namibia reduced the policy rate by 100 basis points to 5.25% on 20 March 2020, and by another 100 basis points to 4.25% on 15 April 2020. It allowed banks to grant loan payment moratoriums from 6 to 24 months, relaxed liquidity risk management, and reduced the capital conservation buffer rate to zero for at least 24 months to enable banking institutions to supply credit.

Taking advantage of the prevailing low inflation, there is room for the government to continue pursuing expansionary monetary policy as a short-term measure to support economic growth. In the medium to long term, the government should implement measures to promote value addition to natural resources, expand mineral beneficiation, and diversify export destinations. It should also pursue structural reforms to create conducive and macroeconomic environment to boost investor confidence and diversify the economy and thereby build resilience.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	–0.5	–1.4	1.9	2.4	–2.8	3.0	–5.6	3.3
Inflation (percent)	4.3	3.7	5.2	5.4	5.5	4.6	5.6	4.7
Budget balance (percent GDP +/–)	–5.4	–5.0	–4.8	5.0	–6.5	–5.7	–8.5	–7.6
Current account balance (percent GDP +/–)	–1.8	–2.6	–3.2	–3.8	–4.7	–4.0	–4.9	–4.3

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Niger

Niger recorded its first COVID–19 case on 19 March 2020, and experienced a faster increase in cases than other West African countries. By 5 May, there were 750 identified cases, including 518 recoveries and 36 deaths.

Health sector preparedness

With estimated coverage of 50%, Niger's health care system lacks the capabilities to handle major health crises. With a score of 32.2 of 100, the 2019 Global Health Security Index ranked Niger 132 among 195 countries. Despite government efforts in recent years, the percentage of the annual budget allocated to health care remains far below the 15% target set by the Abuja Declaration in 2001.

Macroeconomic prospects

Prior to the pandemic, the short- and medium-term economic prospects for Niger were good despite some concerns about security and the presidential election in December 2020. Niger does expect to be affected by the pandemic in 2020. GDP growth is predicted to be 5.2–7 percentage points lower than earlier predicted (table). So real GDP in 2020 would grow by 1.1% if the pandemic subsides by July (baseline) and contract by 0.7% if it continues through December (worst case). In 2021, growth would rebound to 5.8% in the baseline and to 4.4% in the worst case.

Trade, transportation, tourism, and manufacturing will suffer the greatest impacts. Public finances will also be hampered by lower tax revenue and increased spending to attenuate the impact of COVID–19, which will increase the budget deficit from 2.6% to 4.6% of GDP. The current account balance should be better than forecast, but the external position could deteriorate due to reduced foreign direct investment and portfolio investment. Inflation is expected to rise modestly due primarily to supply chain disruptions for essential consumer goods.

Policy responses

The government moved rapidly to conduct preliminary assessments of the health, economic, and social impacts and adopted a COVID–19 response plan. The plan aims to maintain and strengthen the country's capacities to improve prevention, preparedness, and testing and to reduce the public health, social, and economic threats of COVID–19. The government took the following health measures in February 2020 with technical support from the WHO: reactivating the coordination committee, increasing epidemiological monitoring, enhancing infection control, increasing the capacities of health services, and improving communication about risks and community awareness.

Measures to support economic activity and the private sector include removing taxes and duties on products needed for pandemic response and on intercity ground transportation, establishing removal credit facilities for imports, and reducing the VAT in the hospitality sector to 10% as recommended by ECOWAS. For social assistance, the support plan for vulnerable populations was revised to take into account a greater number of vulnerable individuals, including those in urban areas, and to extend the duration of the social support they receive.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	7.0	5.9	6.0	5.7	1.1	5.8	–0.7	4.4
Inflation (percent)	2.8	–2.5	2.6	2.0	3.0	2.1	3.6	2.5
Budget balance (percent GDP +/–)	–2.2	–3.1	–2.1	–1.5	–4.6	–4.5	–5.0	–4.9
Current account balance (percent GDP +/–)	–9.4	–13.2	–11.8	–9.7	–14.4	–13.9	–15.9	–14.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Nigeria

Nigeria confirmed the first COVID–19 case on 27 February 2020. By 29 May, there were 9,302 confirmed cases among 60,825 people tested—with 6,064 active, 2,697 recoveries, and 261 reported deaths. Of total infections, 68% are male and 32% female, and people aged 31–40 years are the most affected, accounting for 24% of all confirmed cases.

Health sector preparedness

The inadequacy of Nigeria's health system is reflected in low national testing capacity, estimated at 1,500 persons a day for a population of about 200 million. According to the 2019 Global Health Security Index, Nigeria ranked 96 among 195 countries surveyed. The low ranking reflects the poor state of the health sector and quality of care. About 80% of the nation's health facilities are are at different levels of operational dysfunction. The proportion of frontline healthcare providers is low, at 20 per 100,000 inhabitants.

Macroeconomic prospects

Nigeria is facing rapidly weakening macroeconomic conditions, triggered by the sharp decline in price of oil to below $30 a barrel in March 2020, from more than $60 at the start of the year. The pandemic has also had cascading impact through reversed investment flows, volatile financial markets, and disruptions in travel and tourism.

Real GDP is projected to contract by between 4.4% and 7.2% depending on the gravity and duration of the pandemic, wiping out gains from the three consecutive years of growth since the 2016 recession (table).

Crude oil and gas account for an estimated 90% of total export earnings and more than 50% of fiscal revenues. The government projects oil revenues to decline by 90% in 2020 due to the decline in oil price triggered by low demand. Coupled with growing expenditure pressures to mitigate the COVID–19 health and socioeconomic impacts, the budget deficit is projected to widen to 6.7% in the baseline scenario, with potential to deteriorate to 7.8% if the pandemic persists beyond the second half of 2020. Lower oil exports will deepen the current account deficit to between 4% of GDP in the baseline scenario and 5% in a worst-case scenario, wiping out the pre-COVID–19 projected marginal surplus. Despite the likely improvement in farm produce as wet season starts, subdued consumer demand and lower than expected growth in bank credit, inflation is forecast to increase to 14% in 2020 from the 11.1% projected before the crisis.

The COVID–19 pandemic has morphed into a socio-economic crisis with far reaching implications on jobs and poverty. The Brookings Institution estimates that 10 million people could slip into poverty in Nigeria, which is among the countries likely to record an increase in poverty of more than three percentage points in 2020 due to the pandemic.

Policy responses

On 30 March 2020, the President announced a lockdown of the federal capital territory and Lagos and Ogun states, which was partially eased effective 4 May 2020, under a phased approach of reopening the economy. A raft of fiscal and monetary policy stimulus measures were launched to mitigate the shock of the pandemic to the economy and households. The measures include establishment of the NGN 500 billion ($1.4 billion) credit facility to support healthcare facilities, provide relief for taxpayers, and incentivize employers to retain and recruit staff during the downturn —as well as increasing the number of households on conditional cash transfers from 2.6 million to 3.6 million. The central bank established a NGN 50 billion ($139 million) targeted credit facility and liquidity injection of NGN 3.6 trillion (2.4% of GDP) into the banking system. It reduced interest rates from 9% to 5% on all its applicable interventions and introduced a one-year moratorium on its intervention facilities. It is also coordinating a private sector special intervention targeting NGN 120 billion ($333 million).

The pandemic presents an opportunity to strengthen the health system's resilience and stimulate economic growth, which will require additional resources and targeted investment. So, financing from development partners should be prudently deployed to improve the quality of the health sector as well as undertake structural reforms to build economic resilience against future shocks.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	1.9	2.3	2.9	3.3	–4.4	0.7	–7.2	0.1
Inflation (percent)	12.1	11.3	11.1	10.3	14.1	11.1	14.7	11.8
Budget balance (percent GDP +/–)	–4.5	–5.1	–4.6	–4.5	–6.7	–5.7	–7.8	–7.0
Current account balance (percent GDP +/–)	1.3	–3.6	0.3	0.4	–3.9	–2.5	–4.9	–3.6

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Rwanda

The first COVID–19 case was reported on 14 March 2020, prompting a lockdown of 45 days and a broad range of social distancing measures. By 25 May, confirmed cases stood at 336, representing about 0.01% of infection rate of the tested sample. There are no fatalities yet and 130 patients have fully recovered. The median age for the pandemic cases is 23 years and infections are highest among males (67%). Travel restrictions were eased on 4 May.

Health sector preparedness

The 2019 Global Health Security Index ranked Rwanda 117 among 195 countries, signaling fundamental weakness in the healthcare system's capacity and preparedness. Yet, Rwanda's ability to respond quickly benefits from a strong public health system, a strong universal community health insurance system, and a relatively sustained budgetary allocation of up to 15% of the government budget to the health sector. Epidemiological surveillance and testing were ramped up at all border points and community level resulting into a testing capacity of more than 1,000 a day, with more than 59,000 tests by 25 May.

Macroeconomic prospects

Real GDP growth is projected in the baseline scenario to decelerate to 4.2% in 2020 and 2.9% in 2021, lower than the 8.0% projected to prior to the outbreak (table). All sectors of the economy have been hit, but tourism and related services will bear the brunt. The budget deficit is expected to deteriorate to 7.4% of GDP in 2020 and to 5.8% of GDP in 2021, driven by increased spending on health and relief and low tax revenue collection. The current account deficit is projected to deteriorate significantly to 16.8% of in 2020, compared with the initial projection of 9.1%, due to a sharp decline in external capital inflows and a marked decline in export revenues. Headline inflation is projected to rise to 7.1%, due to supply shortages of imported goods and fiscal loosening in response to the pandemic. The protracted crisis will mount pressure on the exchange rate as gross reserves decline closer to 2.9 months of imports in 2020, against 4.3 months in 2018. With increasing number of COVID–19 cases in Kenya and South Africa, two of the main sources of FDI for Rwanda, both direct and portfolio investments are likely to be adversely affected, with possible consequences for growth, jobs, and poverty in Rwanda.

Policy responses

The government has undertaken a broad range of measures to detect and contain the pandemic. It designed and approved a national preparedness plan amounting to an equivalent of $73.5 million, to be funded by the government and donors. It approved a national taskforce to lead all the epidemiological, logistics, and coordination activities. And it announced strict social distancing measures.

The government has also scaled up testing. Gradual lifting of travel restrictions could stir a rise in new infections, putting the health sector under strain, given that there are only 16 intensive care unit beds at treatment centers. This capacity needs to be enhanced to cater for a potential surge in numbers of the critically ill.

To maintain macroeconomic stability, and provide more liquidity to the banking sector, the central bank lowered the policy rate in April from 5% to 4.5%, introduced an extended lending facility for banks with tenors ranging from 3 to 12 months, and established measures to rediscount bonds over 15 days rather than 30 days and at market value as opposed to the 3% discount.

On the fiscal side, tax relief measures aimed at supporting taxpayers were announced. These include the suspension of tax audits, extension of deadlines for filing and paying corporate income tax for 2019, and suspension of the 25% down payment admissible for amicable settlement. In addition, the government established a fund to support businesses most affected by the pandemic.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	8.6	9.4	8.0	8.2	4.2	6.4	2.9	4.7
Inflation (percent)	1.1	2.4	5.1	5.0	7.1	5.2	7.4	6.1
Budget balance (percent GDP +/–)	–4.3	–5.5	–6.8	–6.6	–7.4	–5.8	–8.2	–6.5
Current account balance (percent GDP +/–)	–7.7	–8.7	–9.1	–8.0	–16.8	–10.4	–17.5	–11.1

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

São Tomé and Príncipe

On 6 April 2020, the government announced the first four confirmed cases of COVID–19. By 25 May, positive cases had risen to 299, of which 4 fully recovered and 12 died. As a preventive measure, the government implemented a state of emergency from 17 March 2020.

Health sector preparedness

The 2019 Global Health Index ranked São Tomé and Príncipe 192 among 195 countries, with a low score of 17.7 of 100, with indicators below average in all categories. The overall health system is weak with limited resources and capacity, implying that it is among the countries least prepared to deal with the pandemic.

Macroeconomic prospects

In the baseline scenario, economic growth is projected to contract by 6.1% in 2020, and by 8.2% in 2020 in the worst-case scenario (assuming the pandemic continues until the end of 2020) (table). The country is highly dependent on cocoa, tourism, and hospitality, which have been hit heavily by the pandemic. In 2019, cocoa exports accounted for $6.90 million (52.4% of total goods exports and 1.6% of GDP).

The suspension of all international passenger flights into the island since mid-February has resulted in a sharp drop in tourist arrivals. Foreign direct investment, which stood at $39.2 million in 2019, is expected to fall short of the pre-COVID–19 projected $43.2 million in 2020. Cumulatively, these factors will lead to further deterioration in the current account deficit in 2020 to more than 10% of GDP in the baseline scenario, and possibly deepen to 11.2% in the worst-case scenario. Disruptions to trade will also put pressure on the price of imported goods, including food, fueling a sharp increase in inflation from 8.4% in 2019 to 12.9% in 2020 in the worst-case scenario. But due to tight monetary policy implemented by the central bank, inflation is expected to be 8.3% in 2020. The country's public finances will come under pressure as the government responds to the negative effects of the COVID-19 pandemic through fiscal stimulus to support the economy and vulnerable households. Compounded by lower tax revenues associated with the slowdown in economic activity, the budget deficit is expected to widen to 4.7% in 2020 in baseline scenario and to 6.5% in the worst-case scenario.

Policy responses

A range of prevention and containment measures were introduced, and all borders have been closed until further notice. Public and private gatherings have also been forbidden. The country is putting in place mechanisms to increase the availability of medical equipment to fight the pandemic.

The government approved a fiscal stimulus package amounting to STD 1.67 billion ($6.8 million). The measures include withholding interest payment and other additional fiscal fees accumulated during the pandemic, a moratorium on any current fiscal payment, and a commitment to pay government obligations to suppliers of goods and services. On the monetary policy side, the central bank reduced the reference interest rate and local banking minimum reserves, introduced flexibility on prudential ratios, increased the grace period to a minimum of six months, revised banking fees downward, and opened a credit line to business.

The government is encouraged to pursue various measures to mitigate the impact of the pandemic on the economy. The priority in the short term is to provide sufficient resources to boost the country's health system. In the medium term, the government should implement policies to ensure macroeconomic stability, promote human capital development, and improve business environment to facilitate investments into the country. In the long term, it should put in place policies to facilitate infrastructure development.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.0	1.3	4.5	5.1	–6.1	1.0	–8.2	–2.1
Inflation (percent)	8.3	8.4	5.5	4.6	8.3	7.7	12.9	10.5
Budget balance (percent GDP +/–)	–3.0	–2.7	–1.8	–1.8	–4.7	–2.8	–6.5	–3.5
Current account balance (percent GDP +/–)	–11.1	–12.4	–8.1	–7.2	–10.4	–8.9	–11.2	–10.2

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Senegal

Senegal reported the first COVID–19 case on 2 March 2020. Since then, the epidemic's curve has been rising and the first death was recorded on 31 March. By 4 May, there were 1,271 confirmed cases, with 415 recoveries and 10 deaths. Overall, 11 of 14 regions have been affected by the pandemic (Dakar, Diourbel, Saint Louis, Thiès, Louga, Kolda, Fatick, Ziguinchor, Tambacounda, Sédhiou, and Kaolack). The most affected age group are 25–34 year-olds.

Health sector preparedness

Senegal has a well-established baseline health system, but there are underlying structural weaknesses. The 2019 Global Health Security Index ranked Senegal 95 among 195 countries in preparedness for dealing with an epidemic. Its score of 37.9 is below the global average of 40.2, pulled down by inadequacies in detection, prevention, and equipment. If the epidemic accelerates, significant tensions could arise within the health system.

Macroeconomic prospects

Senegal has performed well over the last two years in terms of growth, and prospects for 2020 and 2021 were favorable. The current pandemic crisis would negate these prospects. Although without falling into recession, Senegal would lose 4–6.7 percentage points in GDP growth due to the anticipated slowdown in tourist activity (–60%) and transport (–9%); and diminishing investment (–3%) following a fall in public investment, foreign direct investment, and financial transfers from the diaspora considering the epidemic's powerful impact on receiving countries (France, Spain, Italy, United States) (table). So, real GDP in 2020 would grow by 2.8% if the pandemic subsides by July (baseline) and by just 0.1% if it continues through December (worst case).

Compared with initial forecasts, the public deficit would at least double in 2020 as a result of lower revenue (CFAF 208 billion) due to the slowdown in economic activity and higher expenditure (8%) than initially budgeted. The resulting gap of CFAF 481 billion in additional financing should essentially be filled by external financing. The public debt should rise from 64% of GDP in 2019 to 67% in 2020. The current deficit should remain relatively stable due to reduced imports (–7.9%). Inflation should see a limited rise following monetary policy easing and the closing of borders. Growth will obviously depend on the global situation improving, but should start again in 2021, rebounding to 5.1% in the baseline and to 2.6% in the worst case.

Policy responses

The government established a response and solidarity fund of CFAC 1 trillion to fight the effects of COVID–19. Operationalizing this fund involves redirecting budget policy. As a result, the government should significantly increase subsidies by CFAF 250 billion to strengthen the health system and support households affected by the crisis.

Reprioritizing investment projects has already allowed a reallocation of CFAF 100 billion. Some projects financed by external resources will be reprogrammed in agreement with donors. By not passing on the fall in the price of oil to domestic prices, there should be savings in fuel and electricity subsidies. The government has also planned to accelerate payments to state suppliers, an estimated CFAF 302 billion, to generate recovery in the private sector. In partnership with the banking sector, the government created a financing mechanism, in the form of cash loans or investment, to support companies affected by the crisis. To deal with the fall in demand due to public health requirements on social distancing, the government has also taken a series of tax measures to support the formal sector.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	6.4	5.2	6.3	6.8	2.8	5.1	0.1	2.6
Inflation (percent)	0.5	1.1	0.8	1.4	2.0	1.8	2.2	2.1
Budget balance (percent GDP +/–)	–3.7	–3.8	–2.9	–2.7	–6.3	–5.1	–7.1	–5.7
Current account balance (percent GDP +/–)	–9.5	–9.6	–9.7	–9.8	–11.0	–10.4	–11.6	–10.8

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Seychelles

Seychelles confirmed the first two cases of COVID–19 on 14 March 2020. By 4 May, there were 11 confirmed cases, with 6 recoveries and no fatalities. All infections were imported into the country, and there have been no new confirmed cases since 6 April.

Health sector preparedness

Seychelles has attained universal health coverage with free access to health care for all at the point of use, but the pandemic is likely to test these gains. The 2019 Global Health Security Index ranked Seychelles 133 among 195 countries, with an overall index score of 31.9, indicating that the system needs close attention. Public spending on health is over 90% of the total health expenditure. Due to increased health costs amid reduced revenues, the pandemic will clearly strain capacity and preparedness of the health system, particularly given the vulnerability of the country to substance abuse, obesity, and HIV. The demographic structure with 18% of the population aged 55 years and above, is also a concern.

Macroeconomic prospects

Tourism determines the overall economic performance such that any shock will translate into weaker growth in the economy. Real GDP is projected to contract by between 10.5% and 11.6% (in the baseline and worst-case scenarios) (table). Disruptions in global supply chain have put upward pressure on domestic prices. With the pandemic, inflation is projected at 4.5% in the baseline scenario in 2020, possibly escalating to 5.0% if the pandemic persists to the end of the year.

Fiscal and current account deficits are expected to widen due to lower revenue collections from curtailed tourist arrivals and other economic activities; while public expenditures rise to minimize the social costs. Owing to measures to cushion the pandemic's effects through allocation of public funds to employees and households, the budget deficit is expected to widen to between 13.8% and 15.2% in 2020 under the two COVID–19 scenarios, respectively. And with disruptions to the country's export and tourism sectors, the current account deficit for 2020 is projected to deteriorate to between –27.3% and –28.4% of GDP.

Policy responses

To prevent transmission of the virus, the government stopped all commercial flights, imposed dawn-to-dusk restrictions on people's movements, reduced public bus services, and restricted travel between the islands. With no new cases reported in over the three weeks to 27 April, the government announced a phased approach to easing restrictions such that by 1 June all restrictions were to be almost lifted in line with the guidance issued by the Department of Health.

Fiscal measures include a special allowance for all frontline health workers and immigration and customs officers, increased budgets for the Social Protection Agency and Unemployment Relief Scheme to support the affected, and government guarantees for the salaries of private sector employees for April, May, and June. On April 11, the President assented to increasing the 2020 budget by SR1.2 billion ($67.4 million) to combat the pandemic. On health measures, a new quarantine center has been constructed on Ile du Swet where ex-military facilities are being redeveloped to increase quarantine capacity. The central bank on 23 March reduced the policy rate from 5% to 4% and launched a credit facility of about $36 million in emergency relief for commercial banks.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.8	3.9	3.3	4.2	–10.5	7.7	–11.6	7.1
Inflation (percent)	3.7	1.8	3.0	3.1	4.5	3.2	5.0	3.4
Budget balance (percent GDP +/–)	0.2	0.9	–0.2	–0.2	–13.8	–5.5	–15.2	–6.0
Current account balance (percent GDP +/–)	–17.9	–16.7	–17.4	–18.2	–27.3	–23.8	–28.4	–25.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Sierra Leone

Sierra Leone reported the first confirmed case on 31 March 2020. By 10 May, the confirmed pandemic cases stood at 307, with 67 recoveries and 18 reported deaths.

Health sector preparedness

Sierra Leone ranked 92 among 195 countries on the 2019 Global Health Security Index and 8 among 54 in Africa. The index measures the health security capacities and capabilities needed to prevent, detect, and respond to significant infectious disease outbreaks. Sierra Leone has an acute shortage of medical doctors, nurses, and midwives with only about 12 medical professionals per 100,000 population. The country's restrictions on physical contact and targeted quarantining were effective in containing the Ebola epidemic and have been implemented to limit spread of the pandemic.

Macroeconomic prospects

Economic growth has fluctuated since the country experienced twin shocks of Ebola virus disease outbreak and the slump in iron ore prices in 2014. Real GDP growth, estimated at 5.1% in 2019, is now projected to fall sharply to 1.7% in the baseline scenario of the COVID19 pandemic, with potential to contract by 2.6% in 2020 in the worst-case scenario assuming prolonged duration of the pandemic until the end of 2020 (table). A recovery is projected in 2021, conditional on the effectiveness of the containment measures and resumption of economic activities.

The slowdown will be driven by the decline in commodity prices and depressed trade, FDI inflows, and tourism revenue following travel restrictions. China is the leading source of FDI, focusing on the mining sector. Revenues from tourism reached USD63 million in 2019 from a low of USD16.8 million in 2015. Disruptions in global supply chain will not only undermine export demand but also the performance in key sectors of the domestic economy. Remittances to Sierra Leone were estimated at $7 million in 2018, but weak global economic growth could affect those inflows. With the pandemic, inflation in 2020 is projected to reach 15.3% (baseline) and could reach 17% (worst case). Lower tax revenue coupled with increased extrabudgetary expenditures to contain the pandemic will exacerbate the budget deficit, further limiting government's fiscal space and undermining debt sustainability. The fiscal deficit is projected to deteriorate to 5% of GDP in 2020 and 5.4% in 2021 for the baseline scenario, and under a worst-case scenario it could drop to 6.7% of GDP in 2020 before marginally improving to 6.1% of GDP in 2021. The current account deficit is projected to deteriorate to 15.5% of GDP (baseline) in 2020, from 13.9% in 2019, and could widen to 16.1% (worst case).

Policy responses

The government declared a 12-month Health State of Emergency and restricted international flights to and from the country. It launched the COVID–19 Quick Action Economic Response Program on 25 March to build and maintain an adequate stock of essential commodities at stable prices, provide support to hardest-hit businesses to enable them to continue operations, avert layoffs of employees, reduce nonperforming loans, provide safety nets to vulnerable groups, support labor-intensive public works, and provide assistance for local production and processing of staple food items.

The program's financing needs range from $231.4 million to $379.5 million with financing gaps of $161.3 million. The IMF has provided $21.1 million and the World Bank $7.5 million in emergency support under an extended credit facility, and the African Development Bank is preparing emergency budget support.

The government should enhance COVID-19 containment measures, bail out small businesses to save jobs, and cushion livelihoods through expanded but properly targeted social protection program given the limited fiscal space.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.5	5.1	4.7	5.1	1.7	3.9	–2.6	2.0
Inflation (percent)	16.0	14.8	12.3	11.4	15.3	15.8	17.0	16.2
Budget balance (percent GDP +/–)	–5.6	–2.9	–4.3	–3.9	–5.0	–5.4	–6.7	–6.1
Current account balance (percent GDP +/–)	–18.7	–13.9	–10.3	–9.7	–15.5	–14.3	–16.1	–15.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Somalia

Somalia reported its first case of COVID–19 pandemic on 14 March 2020, and cases increased to 1,689 by 26 May, with 235 recoveries and 66 deaths. Most of the infections are community-based.

Health sector preparedness

Somalia is particularly at risk as its health systems are weak and deteriorating, and only 850 health care workers are trained to handle COVID–19 cases. The 2019 Infectious Disease Vulnerability Index ranked Somalia as the worst-equipped country (rank 195 of 195 countries, with a score 15.9 of 100) to respond to a major infectious disease outbreak. It scored last on the 2019 Global Health Security Index, confirming the country's vulnerability to disease outbreaks.

Macroeconomic prospects

The pandemic is expected to affect Somalia mainly through trade and financial flows. Imports represented 68% of GDP in 2019, with trade taxes accounting for about 87% of total revenue. Somalia's seaports are reporting April 2020 revenue losses of 60–80% due to disruptions in global supply chains, which have also led to increased unemployment in the country. These revenue losses cripple the country's capacity to deliver public services and invest in public infrastructure. Containment measures like lockdowns are expected to further reduce economic activity, particularly in the country's service sector. Remittances account for about 31% of GDP and are used primarily for household spending. So, the expected reduction in remittance inflows will reduce household consumption and increase poverty. Negative investor sentiment is expected to reduce foreign direct investment.

Early containment of the pandemic by the third quarter of 2020 could limit the deterioration in the economy, but the fragility of the health system and limited fiscal space to support businesses and households make the baseline scenario projection less likely. Real GDP is thus projected to contract by 5.4% in 2020 in the worst-case scenario due to demand and supply shocks, assuming that the pandemic persists until end of 2020 (table). Despite falling aggregate demand, inflation is expected to spike to 6.3% in 2020 (worst case) due to supply shortages as imports fall. Reduced trade and the associated decline in revenues will lead to a fiscal deficit of 1.3% in 2020. Somalia's import dependency for basic goods, high share of remittances in GDP and reduced livestock exports are expected to increase the current account deficit to almost 10% of GDP in 2020 against the pre-COVID–19 estimate of 7.7%.

Policy responses

The government established a $2.5 million facility to provide loans to small and medium enterprises. Tax exemptions have been provided on basic consumables like rice and dates (100%) as well as flour and cooking oil (50%). But implementing these fiscal measures is constrained by rapid decline in government revenue. Discussions are thus under way with development partners on a $500 million response plan to offset revenue losses, finance health expenditures, and safeguard the vulnerable population. Once approved and funded, this package will enhance the authorities' capacity to improve public service delivery and mitigate the effect of increased prices for food items on vulnerable households through more targeted social protection programs.

Somalia's economy is largely informal and private sector employees have no pension benefits. So, the coverage of social safety net programs should be expanded to ease the effects of the expected rise in unemployment. Considering the government's limited capacity, development partners should support the authorities to implement a comprehensive social protection program. The COVID-19 crisis provides an opportunity to address persistent challenges, notably institutional and human resource capacity gaps as well as weaknesses in public financial management to build resilience to domestic and external shocks.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	2.8	2.9	3.2	3.5	–3.3	1.1	–5.4	0.3
Inflation (percent)	5.1	4.4	3.0	3.0	5.8	4.5	6.3	4.9
Budget balance (percent GDP +/–)	0.0	0.1	0.1	0.1	–0.8	–0.3	–1.3	–0.8
Current account balance (percent GDP +/–)	–8.3	–8.0	–7.7	–7.6	–9.3	–8.8	–9.9	–9.1

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

South Africa

South Africa confirmed its first case of the pandemic on 5 March 2020. By 25 May, there were 23,615 declared positive cases—with 11,217 active cases 11,917 recoveries, and 481 deaths. South Africa projects that it will reach the peak of the virus in September.

Health sector preparedness

The 2019 Global Health Security Index ranked South Africa 34 among 195 countries worldwide and at the top of African countries in preparedness to face the pandemic from a clinical perspective. Its score of 54.8 is well above the African average of 31.1 and the global average of 40.2. South Africa increased its capacity for COVID–19 testing to more than 10,000 tests a day, and by 25 May had conducted 596,777 tests.

Macroeconomic prospects

South Africa's GDP growth has weakened to an average of 1.1% in the last five years under unreliable structural reforms in the energy sector and long-standing labor market rigidities. Following a record unemployment rate of 30% and an economic contraction of 1.4% in the fourth quarter of 2019, the outlook for growth remains uncertain and highly vulnerable to a combination of the COVID–19 pandemic and other factors related to electricity supply constraints and financial crisis within major state-owned enterprises. After 0.2% growth in 2019, the lowest rate in a decade, real GDP is projected to contract by 6.3% in 2020 in the baseline scenario and 7.5% in the worst case (table). The country is expected to enter a fiscal crisis with pre-existing budgetary pressures emerging from high debt and state-owned enterprises coupled with low revenue collection related to the pandemic.

On 5 May, the South African Revenue Service estimated a revenue loss of ZAR285 billion ($15 billion) in 2020 because of sluggish economic activity, amplified by the lockdown to curb further infections. The pandemic could push the budget deficit to more than 12% of GDP in 2020 under both scenarios. However, South Africa's current account deficit is expected to widen only moderately to 3.5% of GDP in 2020 in the baseline scenario and 3.9% in the worst case, thanks to the country's position as a net capital exporter. The downward trend projected for the 2020 net flows of foreign direct investment amid COVID–19 will be offset by significant income generated by outward foreign direct investment stocks ($218 billion), which by December 2019 was 42% more than the inward foreign direct investment stocks ($153 billion). The rand has depreciated during the pandemic, falling to its weakest level on record of ZAR19.32/US$ on 6 April, down 27% from 1 January.

Policy responses

South Africa declared a national state of disaster on 15 March. The main emergency measures concerned banning travel, shutting down land ports and seaports, and encouraging social distancing. South Africa has been under one of the strictest lockdowns in the world from 26 March, including a ban on alcohol and cigarette sales.

The authorities allocated ZAR30 billion ($1.6 billion) to a special National Disaster Benefit Fund and a Solidarity Fund to pool funds from government, businesses, and private individuals. The Reserve Bank has reduced the key repo interest rate by 250 basis points cumulatively from 6.25% to 3.75% to stimulate credit to the economy. Commercial banks are exempt from provisions of the Competition Act to enable them to develop common approaches to debt relief and other necessary measures.

The government is implementing a COVID–19 pandemic stimulus package of ZAR500 billion ($26.3 billion) equivalent to 10% of GDP, distributed as a loan guarantee scheme (40%); job protection and worker income (28%), tax relief (14%); social grants (1%); COVID–19 health related services (4%), and municipality emergency services (4%). On 5 May 2020, the National Treasury Strategy 2020–2025 presented plans for the first time to mobilize $10 billion from multilateral development banks to support the economy.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	0.8	0.2	1.1	1.8	–6.3	2.8	–7.5	1.3
Inflation (percent)	4.6	4.1	4.7	5.0	4.8	4.5	5.2	4.6
Budget balance (percent GDP +/–)	–4.2	–6.5	–4.5	–4.1	–12.7	–10.4	–13.1	–12.6
Current account balance (percent GDP +/–)	–3.5	–3.4	–3.7	–3.4	–3.5	–3.6	–3.9	–3.7

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

South Sudan

South Sudan reported its first COVID–19 case on 5 April 2020, and by 26 May, the number of confirmed cases stood at 655—with 6 recoveries and 8 deaths. Community infections account for 97% of the cases. The government announced restrictions on social gatherings and a nationwide dusk-to-dawn curfew as well as closing borders, the airport, and schools. The airport has since opened for travel to other states.

Health sector preparedness

South Sudan ranked 180 among 195 countries on the 2019 Global Health Security Index, indicating the country's low preparedness to respond to major disease outbreaks. To respond to the pandemic, it created a high-level taskforce and developed a preparedness plan. But the health system is characterized by low workforce density, limited inpatient bed capacity, gaps in health worker skills, and inadequate health infrastructure.

Macroeconomic prospects

The pandemic's impact is expected to be transmitted through commodity prices and trade, and flows of foreign direct investment and migrant remittances. Real GDP in 2020 is projected to contract by 0.4% in the baseline scenario (with COVID–19 contained by the third quarter) and by 3.6% in the worst-case scenario (with COVID–19 persisting until the end of 2020) (table). South Sudan is expected to remain in recession in the worst-case scenario in 2021, with real GDP projected to contract by 1.5%. But stabilization of international oil prices should boost oil production and exports, leading to a recovery in GDP growth to 0.1% in 2021 in the baseline scenario. Oil revenues account for more than 80% of GDP and about 90% of government revenues, which makes South Sudan highly vulnerable to fluctuations in international oil prices. Subdued growth in key trading partners such as China have reduced the demand for oil exports, and with the sharp drop in the price of oil, foreign exchange earnings have declined correspondingly. The resulting. deterioration in the trade deficit and expected reduction in remittances will further widen the current account deficit to 8.8% in 2020 in the baseline scenario. Prolonged duration in the pandemic until end-2020 could widen the current account deficit to 9.3% in the worst-case scenario, amplified by lower FDI, especially in the country's oil sector.

Inflation is expected to remain high, at 32.6% in 2020, as easing demand will not offset the disruption of value and supply chains following border closures and containment measures in neighboring countries, the main sources of food products and other goods. Reduced oil revenues and high public spending to contain the pandemic are expected to worsen the fiscal deficit to 7.4% of GDP in 2020. Lower remittance inflows will reduce consumption, exacerbate poverty, and aggravate humanitarian needs, amid post-conflict fragile political transition, with about 63% of the population face acute food insecurity.

Policy responses

The government, with support from development partners, put in place a $34.9 million COVID–19 Preparedness and Response Plan. The African Development Bank through its Transition Support Facility has pledged to finance the response plan with $4.0 million, and development partners have pledged financing of about $10.8 million. A Public Health Emergency Operations Center has been activated to provide prompt interventions for any disease-specific emergencies. The John Garang Infectious Disease Unit will facilitate testing and isolation of suspected COVID–19 cases. Other interventions include procuring urgently needed medical equipment, testing kits, and other critical supplies, enhancing the capacity of healthcare professionals to respond to disease outbreaks, and rehabilitating health infrastructure.

Going forward, the focus should be on further strengthening health sector preparedness, while expanding social protection coverage to serve the most vulnerable. Social protection, including food and cash transfers, should be expanded to cover the estimated 7 million people (63% of the population) in need of urgent humanitarian assistance. More institutionalized interventions may be required to ensure the sustainability of social protection systems and expand coverage to those affected by the civil war.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	0.5	5.8	7.4	6.1	–0.4	0.1	–3.6	–1.5
Inflation (percent)	83.5	24.5	16.9	9.7	27.9	19.1	32.6	23.3
Budget balance (percent GDP +/–)	–6.1	–2.5	–1.3	0.5	–5.8	–4.9	–7.4	–6.3
Current account balance (percent GDP +/–)	–4.5	–6.4	–1.8	–1.9	–8.8	–5.4	–9.3	–6.6

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Sudan

Sudan announced its first COVID–19 case on 14 March 2020, and by 11 May, it had 1,365 confirmed COVID–19 cases—with 149 recoveries and 70 deaths. Measures to contain the spread of the pandemic include school and business closures, banning large gatherings, a three-week lockdown, airport screening, and quarantining arriving passengers for 21 days.

Health sector preparedness

Sudan ranked 163 among 195 countries on the 2019 Global Health Security Index, reflecting the low preparedness to respond to major disease outbreaks. About eight major laboratories can be used for COVID–19 testing, but fewer than 5,000 people have been tested. In addition, there are 10 isolation centers with 800 beds and 113 respirators.

Macroeconomic prospects

Real GDP growth in 2020 is projected to contract by 7.2% in the baseline scenario, assuming early containment of COVID–19 by the third quarter, and by 8.9% if the spread of the pandemic persists until the end of 2020 (worst-case scenario) (table). Gold is Sudan's leading export, accounting for 70% of merchandise exports, and tourism accounts for about 3% of GDP. Sudan is expected to benefit from the increase in gold prices while depressed oil prices will reduce the import bill (oil accounts for 16% of total imports). But these gains will be offset by the pent-up import demand for consumer and intermediate goods, increasing the trade deficit. A sustained trade deficit and reduced service sector exports on account of weak tourism would widen the current account deficit in 2020 to 14.9% of GDP in the baseline and 16.3% in the worst case.

Declining public revenues and higher public spending to respond to the pandemic are expected to aggravate the fiscal deficit in 2020 to 15.8% in the baseline and 17.2% in the worst case. The expected reduction in domestic demand will be offset by disruptions in regional and global supply chains, increasing inflation in 2020 to 78.5% in the baseline and 82.5% in the worst case.

According to the 2018 World Investment Report, foreign direct investment to Sudan increased to $1.1 billion (about 2.8% of GDP) in 2018, primarily directed toward infrastructure, oil and gas exploration, and agro-industry. However, investors are now likely to defer major investment decisions in the mining, oil, and manufacturing sectors, exacerbating foreign exchange shortages and increasing unemployment and income inequality.

Policy responses

A $82.6 million Emergency Health Preparedness Plan equivalent to 1.4% of GDP has been designed to strengthen health system preparedness and capacity to respond to the pandemic. Monetary measures should include liquidity support to distressed banks to preserve financial sector stability in light of the anticipated rise in nonperforming loans. Fiscal measures should include support to businesses in services and manufacturing through tax deferrals, waivers on income tax for low income earners, and reductions of tax rates on basic consumer goods. And loan repayments should be rescheduled to ease liquidity constraints on the private sector and avert business closures. Subject to availability of fiscal space, it will be critical to expand social protection for the most vulnerable through direct cash transfers, unemployment benefits, and subsidized basic food baskets.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	–2.3	–2.5	–1.6	–0.8	–7.2	–3.2	–8.9	–4.5
Inflation (percent)	63.3	51.0	61.5	65.7	78.5	88.1	82.5	92.5
Budget balance (percent GDP +/–)	–7.9	–10.6	–9.9	–10.9	–15.8	–17.2	–17.2	–19.0
Current account balance (percent GDP +/–)	–13.6	–14.4	–10.1	–11.3	–14.9	–15.2	–16.3	–17.3

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

eSwatini

On 14 March 2020, eSwatini confirmed its first COVID–19 case, and since then the spread of the virus has accelerated, largely through local transmission. By 25 May, around 5,000 people had been tested, with 256 cases confirmed positive, including 158 recoveries and two deaths.

Health sector preparedness

The COVID–19 pandemic adversely impacted the capacity of the country's public health system already encumbered with a high adult HIV prevalence rate of 27%. The 2019 Global Health Security Index ranked the country at 139 among 195 countries, with a score of 31.1 of 100, rating it among those least prepared to deal with epidemic threats with international implications. Although the country intensified efforts to prevent and manage the pandemic, including establishing its own testing center, significant gaps remain in its capacity to mitigate the socioeconomic impacts of the pandemic.

Macroeconomic prospects

The economy is projected in the baseline scenario to contract by 2.6% in 2020, compared with growth of 2.5% envisaged before the outbreak of the pandemic (table). The export-oriented industrial sector (36% of GDP) is expected to suffer from weak external demand, while the service sector (53% of GDP) is expected to be weighed down by the demand-reducing containment measures and restrictions. In the baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the economy is projected to grow by 2.1% in 2021.

Government revenue is expected to decline due to the negative effects of the tax relief measures, weak business activity, and constrained consumption as well as diminished Southern African Customs Union receipts because of low trade flows. The fiscal deficit is forecast to reach 10.2% of GDP in 2020 in the baseline scenario and 10.7% in the worst-case scenario. Public debt, currently 30.3% of GDP, will likely breach the 35% threshold as the government borrows to mitigate the effects of the pandemic.

The accommodative monetary policy stance adopted by the central bank is expected to ease market liquidity, reduce the cost of domestic debt, and boost credit extension. Inflation is projected to increase to 4.3% in 2020, amplified by the COVID–19 induced supply constraints and a weakening exchange rate. Between January and April 2020, the Lilangeni/Rand depreciated by more than 20% against the dollar and will likely remain under pressure. The external position is expected to weaken due to a deterioration of the trade balance and secondary income account, thereby shrinking the current account surplus to 2.3% in 2020 in the baseline scenario, from 5.7% of GDP in 2019.

Policy responses

To reduce contagion, the government imposed a partial lockdown and travel restrictions, and adopted social distancing policies. An array of tax relief measures were enacted, including an E 90 million ($5 million) tax relief fund aimed at small and medium enterprises. A portion of the 2020 capital budget will be redirected toward strengthening the health system. Fuel prices were reduced, and planned increases in electricity tariffs were deferred. Between March and May 2020, the central bank reduced the discount rate from 6.5% to 4%. It also reduced the banks' liquidity ratio from 25% to 20% and the statutory reserve requirement ratio from 6% to 5%.

As the government prepares a post COVID–19 economic recovery plan, it should create mechanisms to help build adequate fiscal and external buffers for countercyclical policy purposes in case of similar emergencies. It should also systematically increase, in the medium to long term, the share of the budget for investment in the public health system to build its resilience. The financial sector could leverage the measures and incentives put in place by the authorities to support local businesses adversely affected by the pandemic.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	2.4	1.3	2.5	1.2	–2.6	2.1	–6.3	2.0
Inflation (percent)	4.8	2.6	4.3	5.4	4.3	3.3	4.8	3.8
Budget balance (percent GDP +/–)	–6.5	–7.8	–9.4	–7.7	–10.2	–8.3	–10.7	–9.5
Current account balance (percent GDP +/–)	2.0	5.7	5.5	3.7	2.3	2.8	1.8	2.3

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Tanzania

Tanzania reported its first case of the pandemic on 16 March 2020. Confirmed cases have rapidly increased since 15 April, when 35 new cases were confirmed in a single day. By 26 May, total cumulative cases stood at 509, with 183 recoveries and 21 deaths.

Health sector preparedness

The 2019 Global Health Security Index ranked Tanzania 101 among 195 countries in health system security and capabilities, with a score of 36.4 of 100, compared with the global average of 40.2. The government has developed a $100 million COVID–19 containment plan, and resource mobilization is underway.

Macroeconomic prospects

The COVID–19 crisis is expected to induce various negative macroeconomic effects to the Tanzanian economy, transmitted primarily through travel and tourism, commodity prices, trade, and foreign direct investment (FDI). Baseline growth projections, assuming the outbreak is contained by the third quarter of 2020, suggest a drop in GDP growth to 5.2% in 2020 and 6.3% in 2021, from the pre-COVID–19 estimates of 6.4% and 6.6%, respectively (table). In the worst-case scenario in which the outbreak persists to the end of 2020, growth is projected to slow to 4.0% in 2020 and 4.4% in 2021. Inflation is expected to increase as the disruption in imported food supply chains due to travel restrictions and the depreciation of the shilling on account of lower export and tourism receipts offset lower domestic demand. Reduced export earnings and FDI inflows are expected to further depreciate the shilling and contribute to a buildup in inflation.

The fiscal deficit is projected to widen as tax revenues fall with lower trade, travel, and tourism activity amid increased public spending to contain the pandemic and interventions to support the most vulnerable population and affected businesses.

The current account deficit is also expected to weaken to 4.6% of GDP in 2020 in the baseline scenario, compared with the pre-COVID–19 estimate of 4%. This is due to lower exports, particularly service export receipts following the reduction in travel and tourism, which is expected to more than offset the benefits of higher gold prices and lower global oil prices. Gold is Tanzania's top export commodity and accounted for 29.25% of total exports in 2019. However, the spike in gold prices and lower oil import bill may be inadequate to offset the reduction in overall merchandise exports and service receipts. Furthermore, FDI inflows, which accounted for 2.2% of GDP in 2017, are expected to decline as investors defer investment decisions due to great uncertainty.

Policy responses

Tanzania has implemented several containment measures, including suspending international passenger flights, closing schools, restricting public gatherings, and imposing mandatory 14-day quarantines for incoming travelers. But the government never instituted lockdowns in any parts of the country and has even allowed gatherings in certain venues to continue normally.

Going forward, several complementary policy measures would be necessary to build resilience. The government is implementing a monetary stimulus through reductions in the minimum reserve requirement from 7% to 6% and in the central bank discount rate from 7% to 5%. In addition, a loan repayment moratorium was put in place for borrowers experiencing financial difficulties. However, a fiscal stimulus package will also be necessary and could include reductions in tax rates to increase disposable income and protect businesses. Fiscal consolidation with a focus on expenditure rationalization will preserve macroeconomic stability. Strengthening public health system preparedness in the short term—and improving healthcare infrastructure in the long term through hiring more health workers, investing in modern laboratories, and expanding hospital bed capacity—remain critical.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	7.0	6.8	6.4	6.6	3.6	5.5	2.6	4.3
Inflation (percent)	3.6	3.3	3.3	3.4	3.7	3.6	4.0	3.7
Budget balance (percent GDP +/–)	–1.3	–2.0	–1.9	–2.2	–2.6	–2.5	–3.0	–2.8
Current account balance (percent GDP +/–)	–3.3	–3.2	–4.0	–4.3	–4.6	–4.4	–4.9	–4.7

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Togo

Togo recorded its first COVID–19 case on 7 March 2020. By 22 May, it had 373 confirmed cases, including 228 active cases, 133 recoveries, and 12 deaths.

Health sector preparedness

Togo's health system is weak and lacks resilience, with ratios of 5.3 doctors per 10,000 inhabitants, 27.4 nurses per 10,000 inhabitants, and 0.7 beds per 1,000 inhabitants, in addition to insufficient and deficient health infrastructure. This situation is reflected in Togo ranking of 128 of 195 countries and 23 of 54 African countries by the 2019 Global Health Security Index, which assesses the preparedness of national health systems for epidemics and pandemics. Across the six categories measured in 2019, Togo made significant progress in detection and norms, but continues to lag when it comes to the medical system and infrastructure, prevention, the response system, and health-related vulnerabilities. The health sector is underresourced, receiving only 4% of the budget in the past three years.

Macroeconomic prospects

The COVID–19 shock threatens the trajectory of growth in the Togolese economy. Compared with initial forecasts, Togo is likely to record a loss of growth of between 4.6 and 6.8 percentage points in 2020, but it would avert a recession (table). So, real GDP in 2020 would grow by just 0.9% if the pandemic subsides by July (baseline) and contract by 1.3% if it continues through December (worst case).

In the worst-case scenario, the fiscal deficit, initially forecast at 1.5% of GDP in 2020, will widen to up to 6.4% of GDP in 2020 due to the increase in health expenditure and the fall in tax revenues caused by the fall in the general level of economic activity. The current account deficit is expected to follow a similar trajectory. Forecast at 3.2% of GDP, it is projected to worsen to 5.7% or possibly 7% of GDP in 2020 under the effect of lower exports, migrant remittances, and FDI in the main economic sectors (phosphate, cotton, infrastructure, coffee, and cocoa). Inflation is likely to remain contained at 1.5% on average in 2020 and 2021, helped by the fall in oil prices. Growth is projected to pick up in 2021, although without regaining its pre-COVID–19 level, rebounding to 3.7% in the baseline or to 2.4% in the worst case. The COVID–19 crisis could also disrupt implementation of the 2018–2022 national development plan adopted on 3 August 2018, at a cost of $8.7 billion, 35% of it financed from public resources.

Policy responses

Since the first recorded COVID–19 case, the government has set up a coordination unit chaired by the President and coordinated by the Prime Minister in cooperation with the United Nations resident coordinator.

The health measures include requisitioning the Lomé Commune regional hospital, used as a new treatment center (120 beds), formalizing the national response plan, declaring a health emergency for three months from 1 April, and mass broadcasting of prevention messages (via SMS, mass media, and social networks). Security measures include an 8 p.m. to 6 a.m. curfew from 2 April, and a special antipandemic force comprising 5,000 men. Social measures include implementing the NOVISSI cash transfer scheme for the most vulnerable and providing free water and electricity for the subsidized tranche sociale category for a period of three months. The main economic measures are disbursing CFAF 2 billion for the initial measures and a national solidarity and economic recovery fund of CFAF 400 billion, with contributions from the government, development partners, and national and international private sectors. Targeted measures will support inputs and agricultural production. In addition to the regional measures, the government is finalizing surveys to determine measures relating to VAT, corporate tax, debt, domestic loan repayments, and job protection. These measures aim to bolster the private sector, including young entrepreneurs.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	4.9	5.3	5.3	5.5	0.9	3.7	–1.3	2.4
Inflation (percent)	0.9	0.7	1.7	2.0	1.3	1.5	1.4	1.6
Budget balance (percent GDP +/–)	–0.8	–2.2	–2.1	–1.5	–5.2	–1.6	–6.4	–2.5
Current account balance (percent GDP +/–)	–3.4	–3.1	–5.2	–5.0	–5.7	–4.7	–7.0	–5.1

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Tunisia

Tunisia recorded its first COVID–19 case on 11 March 2020. By 25 May, the country had 1,048 confirmed cases, with 591 recoveries and 48 deaths.

Health sector preparedness

The 2019 Global Health Security Index gives Tunisia a score of 33.7 of 100, which ranks it 122 of 195 countries globally and 21 in Africa and among the countries the best prepared for the risk of a pandemic. For prevention, Tunisia learned from the 2005 avian influenza epidemic (H5N1) and created the National Observatory of New and Emerging Diseases, to monitor the international epidemiological situation and limit the introduction of rapid-spread diseases in the country. But it ranks poorly in the criteria of financing and health capacity in clinics, hospitals, and community care centers.

Macroeconomic prospects

Compared with forecasts prior to the COVID–19 crisis, GDP growth is likely to fall by between 5.5 and 6.1 percentage points in 2020 and would send the Tunisian economy into a deep recession, with a contraction of GDP projected between 3.4% (baseline) and 4.0% (worst case) (table). This loss of growth would contribute to an increase in the fiscal deficit of at least 2 percentage points relative to initial projections under the expected effect of a loss of tax revenues linked to the contraction in general of economic activity. At the same time, the 2020 borrowing requirement estimated at 11.4 billion dinars (around $4 billion) in the 2020 finance bill could increase by 30–50%. Despite the expected fall in the oil bill due to the fall in oil prices, the current account deficit is projected to increase by 2.1–2.3 percentage points compared with the forecasts without COVID–19 due to the shutdown of the tourism sector and lower migrant remittances and exports. Inflation, which had dipped slightly in 2019, is expected to pick up in 2020 and 2021 although should remain contained. The relative improvement in the macroeconomic situation expected in 2021 will depend on economic conditions in Europe and globally.

Policy responses

A national COVID–19 strategy was prepared as early as January 2020, together with a prevention, preparation, and response plan. The general objective was to reinforce detection and tracing of infected people and those in contact with them, as well as to provide medical care in order to stop the spread of COVID–19 across the country. On 17 March 2020, the government also decided to halt land, sea, and air transport throughout the country, with the exception of goods freight. This measure was reinforced by the complete lockdown of the population on 22 March and the declaration of a curfew.

The Tunisian authorities launched a significant package to support the economy and the most vulnerable households. Estimated at 2% of GDP (around 2 billion dinars, or $695 million), the plan defers corporate tax returns, removes penalties for late tax payments, simplifies VAT refunds, and reschedules tax debt over seven years. Financial support for businesses includes a 500 million dinar ($173.7 million) investment fund to support strategic businesses, a 500 million dinar (173.7 million) guarantee fund for small enterprises in the tourism, transport, artisan, and cultural sectors, and a 100 million dinar ($34.7 million) investment fund to buy equipment for hospitals and public health establishments. On the social front, the government has announced the emergency release of 150 million dinars ($52.1 million) to assist the poorest families and people with disabilities or abandoned by their family. The plan also includes 300 million dinars ($104.3 million) in support for laid-off employees. The central bank has adopted targeted measures to support economic activity (six-month deferral of loan repayments from March 2020 for businesses and a 100 basis point cut in the key interest rate to 6.75%).

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	2.7	1.0	2.1	2.6	–3.4	–0.5	–4.0	–0.7
Inflation (percent)	7.3	6.8	6.7	6.1	7.2	7.0	8.0	7.0
Budget balance (percent GDP +/–)	–4.6	–3.6	–3.7	–3.5	–5.8	–4.5	–6.0	–4.5
Current account balance (percent GDP +/–)	–11.2	–8.9	–9.9	–8.4	–12.0	–10.7	–12.2	–11.2

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Uganda

The first COVID–19 pandemic case was confirmed on 21 March 2020, which resulted in tighter public health measures to limit social contacts. Restrictions on mass gatherings and school closures were announced by the President on 18 March for 32 days and extended to 5 May, followed by a gradual easing of restrictions. By 26 May, Uganda had 222 confirmed cases—with 69 recoveries and no deaths.

Health sector preparedness

Uganda has a public health emergency control center, which enabled managing and coordinating the outbreak in close collaboration with security forces to contain further spreading. Containment measures were swiftly implemented, suspending international flights, imposing a national lockdown, and screening cross-border traffic. Uganda ranked 63 among 195 countries and 3 among 54 African countries on the 2019 Global Health Security Index.

Macroeconomic prospects

Containment measures have affected all sectors of the economy, reducing activity and incomes. Economic growth is projected to decline to 2.5% in 2020 and partially recover to 3.5% in 2021 in the baseline scenario, assuming the pandemic is contained by the third quarter of 2020 (table). In the worst-case scenario, where the pandemic persists to the end of 2020, GDP growth is projected to decline to 1.6% in 2020 but rebound to 4.2% in 2021. Economic activity in services, manufacturing, and construction are expected to remain fragile. With aggregate demand subdued, prices will remain relatively stable, and annual inflation is projected to increase slightly to 4.6% in 2020 in the baseline scenario.

Fiscal and current account deficits are expected to deteriorate due to lower than planned domestic tax revenues amid increased expenditures, while cash inflows from trade, remittances, and foreign direct investment are likely to fall. Income and value-added taxes are projected to decline on account of lower economic activity. And expenditures will rise as government responds to escalating health needs and socioeconomic mitigation efforts to safeguard vulnerable groups. Consequently, the fiscal deficit in 2020 is projected to deteriorate by 1.1 and 1.4 percentage points in the baseline and worst-case scenarios respectively relative to the pre-COVID–19 projections. The 2020 current account deficit is projected to deteriorate by 0.4 and 0.8 percentage points in the baseline and worst-case scenarios respectively, relative to the pre-COVID–19 estimates.

Poverty is expected to rise as nonsalaried workers lose their incomes and sales revenues decline. Longer disruptions are projected to increase poverty by up to 2.6 million people in a worst-case scenario. To limit expenses, businesses are expected to lay off workers, increasing unemployment.

Policy responses

The government has implemented social mitigation measures to support the most vulnerable, notably food distribution in selected urban areas. Additional resources have been allocated for surveillance, testing, community engagement, and protective gear. The total response is estimated at $265 million (0.8% of GDP), of which the government has allocated $32 million with additional commitments from external partners.

To support private economic activity, the central bank reduced its policy rate by 100 basis points to 8% in April and extended credit to banks in distress to address the expected rise in nonperforming loans. Credit relief is extended to borrowers experiencing liquidity shortfalls for up to 12 months. Once the public health containment measures are eased, it will be critical to implement measures to quickly revive economic activity to limit the losses. Injecting liquidity into the economy can boost aggregate demand by providing cash transfers to the most vulnerable groups, mainly informal urban traders and self-employed. Additional targeted liquidity support to firms in tourism, hospitality, public transport and others may also be required to limit insolvency and job loss, as bankrupt firms will be difficult to reactivate.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	7.7	5.0	6.2	6.1	2.5	3.5	1.6	4.2
Inflation (percent)	2.6	2.9	3.8	4.5	4.6	4.8	5.3	5.0
Budget balance (percent GDP +/–)	–4.2	–5.4	–7.2	–6.6	–8.3	–7.1	–8.6	–7.3
Current account balance (percent GDP +/–)	–8.6	–9.4	–10.4	–11.0	–10.8	–10.2	–11.2	–10.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Zambia

Zambia announced the first two COVID–19 cases on 18 March 2020, and by 26 May it had registered 920 positive cases—with 577 receiving treatment, 336 fully recovered, and 7 deaths. The country had performed 20,011 tests by this date.

Health sector preparedness

The 2019 Global Health Security Index ranked Zambia 152 among 195 countries overall, with a score of 28.7. Preventive measures, including a response mechanism, are in place. But if local infections rapidly increase, isolation facilities, intensive care units, and testing laboratories are inadequate to handle the situation. The population at risk, according to WHO estimates, amounts to 6.5 million across 13 high risk districts of the country, including Lusaka, the epicenter.

Macroeconomic prospects

Under the baseline scenario, real GDP is projected to decline by 4% in 2020, before recovering by 4.8% in 2021 (table). However, the worst-case scenario suggests a sharp contraction in economic activity by 6.5% in 2020, before the economy recovers by 2.5% in 2021. Key sectors driving growth—including tourism, mining, manufacturing, construction, and wholesale and retail trade—are projected to slow down. The disruption in global trade has affected Zambia's main export commodity, copper, which generates 70% of the country's export earnings. Copper prices have fallen by about 20% since January 2020. And with a drastic decline in tourist arrivals, losses in tourism receipts are estimated at $800 million for 2020.

The fiscal deficit is expected to widen further due to higher public spending and lower revenues. In the baseline scenario, a fiscal deficit of 8.9% of GDP in 2020 and 8.6% in 2021 is projected, up from 7.7% in 2019. In the worst-case scenario, the deficit is projected to widen to 10.7% in 2020 and 9.8% in 2021.

Monetary policy is challenged by heightened inflation and the depreciation of the Kwacha by almost 20% since January 2020. In the baseline scenario, inflation is projected at 12.1% in 2020 and 11.2% in 2021, and in the worst-case scenario 12.9% in 2020 and 11.5% in 2021. Capital flight and the decline in copper prices have put pressure on the Kwacha, which may lead to further decline in external reserves.

Policy responses

The government moved swiftly with policies to contain the spread of the virus and support the economy, including strict immigration controls of mechanisms for screening and isolating suspected cases, suspending nonessential foreign travel, closing schools, cinemas, restaurants, and bars, restricting all public gatherings, and closing all airports except in Lusaka, the main air travel entry point into the country.

To address the economic impact of the pandemic on the economy, the government waived penalties and interest on outstanding tax liabilities, suspending excise duty on some essential products, removing provisions relating to claim of VAT, suspending import duties on the import of concentrates in the mining sector, and suspending customs duties and VAT on additional medical supplies used in the fight against COVID–19. Monetary policy measures include injecting K12.64 billion ($645 million) to alleviate the economic pressures and liquidity constraints on financial institutions, enabling them to restructure, refinance, or extend credit on more favorable terms to businesses and households.

Zambia needs to invest in developing capacity and in improving and expanding the public health infrastructure. It also needs to accelerate economic diversification and promote value addition and local manufacturing to minimize the economic impacts of future shocks.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	4.0	1.5	2.4	2.9	–4.0	2.5	–6.5	4.8
Inflation (percent)	7.5	9.8	9.0	9.2	12.1	11.2	12.9	11.5
Budget balance (percent GDP +/–)	–10.5	–7.7	–6.9	–6.7	–8.9	–8.6	–10.7	–9.8
Current account balance (percent GDP +/–)	–1.3	0.7	–2.9	–2.8	–2.9	–1.1	–4.7	–2.0

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

Zimbabwe

Zimbabwe confirmed its first COVID–19 case on 20 March 2020, and positive cases have since been rising, standing at 279 by the first week of June.

Health sector preparedness

The outbreak of the pandemic found the country largely unprepared as most health facilities were in dire straits, and the supply of frontline personnel was inadequate, as shown by the low ratio of 1.3 per 1,000 people against 2.3 recommended by the World Health Organization. Despite the challenges, isolation centers were designated in major cities, testing has been carried out, and frontline medical staff provided with adequate personal protective equipment.

Macroeconomic prospects

Real GDP growth was expected to reach 4.6% in 2020 and 5.6% in 2021 if corrective measures were taken to stabilize foreign exchange supply and avoid excessive money creation. Recovery was expected in agriculture and mining, backed by increased and well targeted investment. But production is now expected to fall in both sectors, largely due to the outbreak of the pandemic and associated shocks and policy actions to limit the infections. And reductions in tourism earnings will exacerbate foreign exchange shortages. As a result, the economy is projected in 2020 to contract by between 7.5% if the pandemic subsides by July (baseline) and 8.5% if it continues through December (worst case), with modest recoveries in 2021.

The fiscal deficit is expected to remain above 5% due to the negative effects of the tax relief measures and weak business activity. The Zimbabwe Revenue Authority has reported that the COVID-19 pandemic has greatly affected revenue collection with targeted revenues likely to be missed. In April 2020 (the first month of the lockdown), its revenues were about 6.9% below their target for the period, a trend that is expected to continue.

Though the Reserve Bank of Zimbabwe adopted accommodative monetary policy to ease market liquidity constraints, the effect is likely to be offset by carryover structural weaknesses, including shortage of foreign exchange and lack of confidence in the Zimbabwe dollar. Inflation is therefore projected to average 217% in 2020 (worst-case scenario), amplified by the COVID–19 induced shocks. Since the unpegging of the exchange rate from the US dollar in February 2019, the exchange rate depreciated from Z$2.5 to Z$25 (over $70 in parallel market) per US dollar in May 2020. The deterioration of the trade balance and secondary income account will push the current account to a deficit territory of 2.0% of GDP in 2020 (baseline) which could widen further to 2.7% (worst case), wiping out a surplus of 1.1% posted in 2019.

Policy responses

The overall goal of Zimbabwe's national preparedness and response plan is to minimize morbidity and mortality from the pandemic and associated adverse socioeconomic impact. A $212 million COVID–19 response was included in the April 2020 United Nations Humanitarian Appeal. The response plan includes national coordination and surveillance, support to rapid response teams and case management, risk communication and community engagement, enhancing laboratory testing capacity, and support to points of entry into the country. The implementation of the priority activities in the plan are expected to strengthen the overall health system. Subject to availability of health facilities and personnel, the government's target was to handle up to 1,000 COVID–19 positive cases by the end of April and 10,000 by the end of May. However, fewer than 100 positive cases had been confirmed by end-May. The government's intention is to manage most cases at the community level and at more than 100 intensive care beds distributed across various hospitals.

Zimbabwe can emerge from the current health and economic crisis strongly. The country's vast natural resources, public infrastructure still in relatively good condition, and a skilled labor force give the country an opportunity to join supply chains in Africa and increase trade within the context of the African Continental Free Trade Area. Coupled with policy responses to restore stability in the foreign exchange market and control inflation, the economy could modestly recover in 2021.

			Without COVID–19		With COVID-19 (baseline)		With COVID-19 (worst-case)	
	2018	2019 (e)	2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Real GDP growth (percent)	3.5	–8.4	4.6	5.6	–7.5	2.7	–8.5	3.5
Inflation (percent)	10.6	224.7	76.7	9.4	206.1	3.9	217.4	4.5
Budget balance (percent GDP +/–)	–5.6	–4.9	–5.6	–6.9	–5.3	–4.3	–5.6	–4.1
Current account balance (percent GDP +/–)	–6.0	1.1	–1.4	–4.1	–2.0	–1.7	–2.7	–2.4

Note: The baseline scenario assumes that the pandemic subsides in July, and the worst-case scenario, that it continues through December.
Source: African Development Bank statistics.

This Supplement to the *African Economic Outlook 2020* details the likely macroeconomic and social costs of the COVID–19 pandemic for Africa. It also sets out policy options for countries as they contend with the crisis, face economic slowdowns, and prepare for recovery.

If the pandemic is of short duration, so that countries can lift lockdowns and other severe containment measures by July, real GDP in Africa is projected to contract by 1.7 percent in 2020. If those measures continue beyond the first half of 2020, there could be a deeper GDP contraction in 2020 of 3.4 percent. Cumulatively, GDP losses could range between $173.1 billion and $237 billion in 2020–21.

Moreover, with a 1.7 percent GDP contraction, employment is projected to decline by 24.6 million jobs in 2020, and with a 3.4 percent GDP contraction, up to 30 million jobs could be lost. The brunt will be mostly felt by those in the informal sector, who account for more than half of the employed.

The number of extreme poor in Africa was projected to reach 425.2 million in 2020 with no outbreak, but COVID–19 could increase that by 28 million with a 1.7 percent contraction in GDP and by 37.5 million with a 3.4 percent contraction. In 2021, those numbers would increase respectively by 34 million and 49.2 million as GDP growth continues to fall below population growth.

The most affected economies are those with poor healthcare systems, those that rely heavily on tourism, international trade, and commodity exports, and those with high debt burdens and high dependence on volatile international financial flows. The overall impact of the pandemic on socioeconomic outcomes remains uncertain. It will depend on the unfolding epidemiology of the virus, the extent of its impacts on demand and supply, the effectiveness of public policy responses, and the persistence of people's behavioral changes.

Given the global scale of the COVID–19 pandemic and its repercussions, governments and their development partners must respond in a coordinated, targeted, and rapid manner to limit its impacts. Across Africa, the response must be well-sequenced and multipronged, involving a public health response to contain the spread of the virus and minimize fatalities, a monetary policy response to ease liquidity constraints and solvency risks, a fiscal response to cushion the economic impacts of the pandemic on livelihoods and businesses, labor market policies to protect workers and their jobs, and structural policies to enable African economies to rebuild and enhance their resilience to future shocks.

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