

COVID-19 response to resilience: Taking stock and outlook for Africa

8 October 2020

Magnitude of the COVID-19 economic crisis in Africa

GDP LOSSES

US\$173.1 billion to
US\$236.7 billion for
2020 and 2021

WORST CASE SCENARIO

Extreme poverty
to 463 million



24.6 million – 30
million jobs lost

Fiscal Crisis

Deficits projected to double

Debt levels rise by additional 10 per cent

Additional financing gap estimated @
US\$122 billion

Revenues fall between 20 per cent and 30
per cent

Legislative changes within the PFM system

- State of health emergency or national disaster declared in 30 countries providing greater power to the executive
- Presidential decrees in most Francophone countries establishing extrabudgetary COVID-19 funds and streamlined procurement and disbursement procedures
- Suspension of fiscal rules:
 - Temporary suspension of WAEMU convergence criteria, including the 3% of GDP fiscal-deficit rule;
 - Ghana suspended rule limiting the fiscal deficit to no more than 5 percent of GDP
 - Algeria: changed 51/49 rule regarding local versus international financing

Dedicated COVID-19 funds

Off-budget	Off-budget using regular PFM and procurement mechanisms	On-budget
Cameroon, Democratic Republic of the Congo, Côte d'Ivoire, Gabon, Kenya, Lesotho, Mali, Niger, Sierra Leone, South Africa, Tunisia, Uganda	Benin, Botswana, Djibouti, Equatorial Guinea, Ghana, Liberia, Mauritius, Togo, Zimbabwe	Chad, Mauritania, Morocco, Nigeria, Senegal, Zambia
Primarily publicly funded	Primarily funded through private sector	Mix of public, private and external
Liberia, Sierra Leone, Zambia	Benin, Cameroon, Gabon, Ghana, Mali, Mauritius, Niger, South Africa, Tunisia, Uganda, Zimbabwe	Botswana, Chad, Democratic Republic of the Congo (DRC), Côte d'Ivoire, Djibouti, Equatorial Guinea, Kenya, Lesotho, Mauritania, Morocco, Nigeria, Senegal, Togo

Expenditure measures from most common to least

Supplementary budgets

Budget re-allocations to health sector

Cuts in CAPEX

Across-the-board cuts to recurrent expenditure

Temporary reductions in compensation

Reprioritisation of expenditure between annual budgets

Contingency budgets and reserves notably absent or inconsequential

Virements between line ministries' approved budgets

Transparency and accountability measures

Publishing COVID-19 procurement contracts	20
Publishing names of companies awarded contracts	15
Publishing beneficial ownership information of companies receiving contracts published	17
Validation of delivery of products and services	12
More frequent internal audits	5
Specific COVID-19 external audit	25
Audit findings to be made publicly available	23
More frequent reporting of COVID-19 expenditure	7
Publishing expenditure reports	14
Specific budget lines for COVID-19 reporting	4



Medium-term outlook: from public health to macroeconomic crisis

- Growth and revenues will slump dramatically
- Escalating risk of debt distress in many countries
- Pressure to halt infrastructure spending and capital spending generally
- Contingent liabilities may worsen fiscal positions
- Frontloading of multilateral lending in 2020 means support will tighten from 2021
- Impact and allowance for breach of fiscal rules
- Macro-fiscal uncertainty and need for revision and development of multiple fiscal risk scenarios
- Flexibility in the budget process will continue to be necessary
- Parliaments and SAIs need to be adequately capacitated and able to play effective oversight role



Implications and recommendations for future budget rounds

- Allocating pre-pandemic levels of financing to CAPEX
- Structural rigidities in the budget remain
- Continued social assistance and business support need to be accommodated in shrinking envelope
- While a top-down approach to budgeting may be required, the inputs of MDAs remains as crucial as ever
- While priorities related to the short-term response should be clearly identified and communicated, national development plans and objectives should continue to guide allocation
- Maintenance of streamlined processes where efficiency gains are significant, and cutting wasteful expenditure
- Greater prioritization on health and other social sectors, provided value for money and impact can be demonstrated