

## ***Africa and COVID-19 from present macroplanning towards promising socioeconomic prospects***

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### **Abstract**

As the world stands today, gradually coming out from a historical pandemic crisis, it is imperative for the global economies to rethink their macroeconomic planning and innovative ways of financing for development. Similarly, Africa is adopting measures, both at continental and national levels, to mitigate the impacts of COVID-19 in the present; cautiously anticipating a future post-pandemic socioeconomic shock. Hence, in the current global scenario, innovative financing for development is at the core of macroeconomic planning. The present policy brief aims at bringing awareness and recommendations during/on the way forward COVID-19 crisis: (1) - the risks and opportunities of the global pandemics regarding socioeconomic planning in Africa; (2) - possibilities of macroplanning at a continental level (3) - sharing of the good experience from the Republic of Senegal.

This policy brief draws from the interventions and discussions of the webinar on “Principles of macroeconomic planning: sustainability and health emergencies”, held on May 7, 2020. The overall objective of this webinar was to provide a platform to exchange on various challenges African countries are facing and to discuss possible tailored made responses to address efficient economic planning. The specific objective of the webinar comprised a discussion between the different stakeholders involved in financing development, on their current and future challenges, mainly in the context of the COVID-19 pandemic. The expected outcome of this discussion is to provide a roadmap for a resource mobilization plan moving forward on the short/mid-term. The webinar was organized by the African Institute of Development and Economic Planning.

## Context

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The current global health emergency is a strong wake-up call regarding financing for development. Efficient planning will become the motto to strengthen member-states' capacity to prevent, respond to and mitigate constraints to achieving Agendas 2030 and 2063, mainly when one of those constraints threatens achieving Sustainable Development Goal (SDG) 3 on good health and well-being. Globally, fragile or unresponsive health systems and non-inclusive growth are two elements that enhance social and economic inequality, when the whole world is affected by one of the pandemics of the century.

"The current global partnership for development has failed to redress the patent imbalances in the international trade and financial systems" (Karingi et alii, 2015: 112). The question is: How can Africa address, from a macroeconomic perspective, the imbalances in the international trade and financial systems, especially in the context of a global health emergency that will deepen social and economic inequalities?

At a continental level, fragile or unresponsive health systems and non-inclusive growth are two elements that enhance social and economic inequality, currently an even more realistic scenario emerging from the slowdown in growth due to COVID-19. The framing of global and regional partnerships will need to consider this slowdown on the African global growth, a recession that is already impacting over domestic resource mobilisation priorities. This is the reason to urgently adopt innovative ways of financing for development: as it was highlighted in the United Nations Economic Commission for Africa (UNECA) Economic Report on Africa 2017, "Africa needs policies to lift growth through increased consumption, investment and trade". Moreover, policies to lift growth are a matter of urgency, in the context of the current Covid-19 crisis: by March 2020, on the early stages of the pandemics spread, growth was already expected to drop from 3.2% to 1.8%, according to the estimates provided by UNECA.

Every African economy is thin on the ground with measures that are aimed at directly responding to the dire impacts of the COVID-19 pandemic. Resources are being mobilized and some are redirected to public health emergency responses. What is common is the weakness and loopholes that currently exist within

## The socioeconomic impact of the pandemic and the role of debt and fiscal policies in the crisis mitigation

### *Growth and Trade impact*

Governments around the world adopted partial and complete lockdown measures, as well as curfew systems that disrupted supply chains and the carrying of normal economic activities, thereby affecting economic growth. The McKinsey report states an 8-percentage points GDP growth in 2020, a decline from the 11-percentage points in the yesteryears. This points loss, as minimal as it may seem, has exponential and long-lasting effects in terms of income and job losses; reduced economic activities and mainly, trade. Moreover, one shall add that the governments will face challenges towards financial stability risks due to financial stress for households and businesses; deterioration in financial soundness indicators (profitability, NPLs, solvency, liquidity). Externally, the governments will face stability risks due to capital outflows, reduction of remittances and foreign exchange shortages.

Trade wise, messages around the world, from international financing institutions to governments stated their concerns over a global economic shock and over a significant decrease of trade, a message that both WTO and UNECA are adamant about. In the African context, COVID-19 arrives at a moment where the continent is setting the stage for its continental free trade agreement - the African Continental Free Trade Area (AfCFTA). At a first and realistic glimpse, the world trade scenario is of recession: “World trade is expected to fall by between 13% and 32% in 2020 as the COVID-19 Africa is not immune to that shock, since: “Africa’s most important trading partners, including the EU, China, US and India, are undergoing simultaneous crises and will reduce imports from Africa” (ECA African Policy Trade Centre, March 2020).

### *Fiscal and monetary impact*

Expansionary fiscal and monetary policies have been adopted to mitigate the economic shocks and to increase the prioritization of health expenditures: the interest rate cuts and both tax/debt reliefs seem to come across debt vulnerabilities as a way of smart management of debt and unexpected government expenditures in times of crisis. Adding to these measures, the African Union Commission recommended increased social protection programs, especially towards the labour market, vis-a-vis the current economic threshold of each government. In line with the above-mentioned recessive features and mitigation measures, one of the recommendations of the United Nations Economic Commission for Africa stands for the African countries to adopt a two-year debt standstill for those willing to, as it will allow an alleviation of the debt burden, concurrent with a negative growth estimate of -2.7% (as of May 2020 – UNECA estimates). These measures should be complemented by optimal fiscal, monetary and financial policies responses, as stated in (i) and (ii):

#### *i. Optimal Fiscal Policies Responses*

There is need for concise, well targeted measures to address the respective issues of households, workers and businesses. Some of the fiscal measures are tax exemptions on health and sanitary products, subsidies and deferral payment for more affected sectors of the economy. Fiscal stimulus packages are also provided to relief taxpayers and incentivize employers to retain and recruit staff during the downturn. These contingency plans ought to be targeted with effective accountability mechanisms. Distinction should be drawn between crisis mitigation and crisis resolution.

#### *ii. Optimal Monetary and Financial Policies*

Injection of liquidity to avoid tightening of financial conditions through open-market operations; asset purchases; loans; refinancing facilities and suspension of loan payments; extension of loan maturities; tax payment deferral and other available mechanisms are being used by governments and central banks countries to prevent economies from recession.

## The socioeconomic impact of the pandemic and the role of debt and fiscal policies in the crisis mitigation

According to WTO, the world trade is expected to fall by between 13% and 32% in 2020 as the Covid-19 pandemic disrupts normal economic activity and life around the world. Crisis might also mean opportunity: the COVID-19 might have a positive impact over trade on individual member-states, according to the [WTO](#). If similarly, [African countries](#) refrain themselves from controls over imports/exports within the continent and other restrictive measures to free trade, the AfCFTA will be a crucial tool over domestic resource mobilization, as stated in (i) and (ii):

### *i. AfCFTA priorities*

Health related and social services were not immediate priorities on the AfCFTA. Therefore, UNECA recommends the African countries to submit liberalized services schedules, using COVID-19 as an opportunity to boost intercontinental free trade and services, these last ones also stemming from the private sector. This is the momentum to take maximum advantage of the AfCFTA, considering that Africa's global GDP is particularly dependent on its commodities' trade.

### *ii. AfCFTA and trade policy responses*

Concurrently to recommendation stated in (i), WTO defends that the AfCFTA shall drive the post-pandemic economic recovery and sustainable development on the African continent, combined with national trade policy responses focusing on facilitating imports of food and medical supplies. This can be achieved by simplifying the customs procedures for the entry of goods and waiving applicable customs duties.

## Senegal: sharing good experiences

### *Senegal resilience*

The Republic of Senegal, like governments worldwide has enacted measures to address and contain the crisis and keep the economic flow. The Economic Advisor at the Office of the President, Daouda Sembene (PhD) reflected on those measures, sharing the clear roadmap that Senegal has adopted and its effectiveness and measurability in the short and long run.



The monetary and financial impact and the optimal responses from the monetary and fiscal perspective that can be implemented by governments: Senegal's experience:

A two-folded approach on the fiscal and monetary policies have been adopted by the government of Senegal:

#### Government Response

- **Central Bank**
- **Strengthening of the health system**
- **Enhancement of Social resilience**
- **Preservation of macroeconomic and financial stability to support the private sector and protect jobs.**
- **Supply chains mechanisms.**
- **Interest rate cuts.**
- **Easy access to refinancing options.**
- **Supporting microfinance institutions.**
- **Promoting the use of digital payments.**

#### UN Support to the Senegalese Response to Covid19 pandemic: the perspective from the United Nations (UN) Secretary General recommendations

The UN, through its 27 agencies in Senegal have adopted a nimble and responsive approach to the changing perspective of the pandemic. The vision of tackling the pandemic is per the Paris Climate and the Agenda 2063 frameworks with guidance from the country's national plan. The key overarching objectives are to suppress the transmission of the virus to control the pandemic; safeguard people's lives and their livelihoods and to learn from this crisis in order to be well prepared.

The UN Resident Coordinator, Lena Savelli, shared the Secretary General's sentiments that congruence, collaboration and coordination between all UN agencies is critical at this time in the organization's quest of ensuring that no one is left behind and also to leverage on the comparative advantage and the expertise that these bring forth. Through these concerted efforts, a gender sensitive approach to the critical needs and areas have been identified and are currently being responded to as quickly as. These being:

- **Gender inequality**
- **Socio economic assistance and issues of disproportionate vulnerabilities**
- **Human rights**
- **Social protection**

The afore listed issues are being tackled using the UN Framework for immediate socio economic response

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