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AFRICAN DEVELOPMENT INSTITUTE GLOBAL COMMUNITY OF PRACTICE

Macro-Economic Policy Responses for Building Resilient Economies in Post COVID-19 Africa

G-CoP

MPO

Matrix of Policy Options

MPO

Coordinating Lead Authors: Kevin Chika Urama¹ and Eric Kehinde Ogunleye²

Contributing Authors: Sebutsoe Nkoanyane³, Njeri Wabiri⁴, Kwadwo Nyantakyi⁵, Chuku Chuku⁶

Peer Review Editors: Njuguna Ndung'u – African Economic Research Consortium (Kenya), Seth Terkper – Former Minister of Finance (Ghana), S. Ibi Ajayi - University of Ibadan (Nigeria), Elias T. Ayuk - Senior Strategic Advisor and Sub-Regional Director, The SDGCA (Rwanda), Augustin Kwasi Fosu - University of Ghana (Ghana), Cameron Hepburn - University of Oxford (United Kingdom), Aloysius Ordu - Former Vice President of the African Development Bank (USA), Ashiwel Undieh – The City University of New York (USA), and Mohamed Boussaid - Former Minister of Finance (Morocco).

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¹Senior Director, African Development Institute, African Development Bank Group

²Advisor to the Chief Economist /Vice President, Economic Governance and Knowledge Management

³Senior Capacity Development Officer, African Development Institute

⁴Consultant, African Development Institute

⁵Consultant, African Development Institute

⁶OIC-Manager, Macroeconomic Policy, Debt Sustainability and Forecasting Division

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COVID-19

coronavirus

FOREWORD

The COVID-19 pandemic has tested the resilience of governments, leaders, societies, economies and institutions in a way that few crises have over the past century. Experts have gone as far as saying the pandemic may result in the first global economic depression in years.

With this in mind, the African Development Bank Group (AfDB) has spared no effort to help its Regional Member Countries (RMCs) cushion the impact of COVID-19 and save as many lives as possible.

However, in addition to financial resources, the fight against COVID-19 requires a complex response that marshals the finest scientists, economists and other experts we can gather. These are the individuals who will help determine the quality of our response to this devastating crisis and will enable us to shield ourselves against similar crises in future.

Over the past months, we have learned a lot of valuable lessons that will enable us to respond to future challenges even more effectively than we have already done.

The time to scale up our readiness is now. That's why the African Development Institute (ADI) of the AfDB has established a brand-new virtual platform that brings together a consortium of certified global experts and anchor institutions. Entitled the Global Community of Practice and abbreviated as G-CoP, the platform offers participants a unique opportunity to engage in facilitated policy dialogue and provide evidence-based policy advice, technical assistance as well as training to the Bank's RMCs on emerging specialised policy themes.

Hosted through a virtual interactive collaborative environment under the auspices of the ADI Virtual Capacity Development Academy, G-CoP includes:

- A certified virtual community of experts and practitioners from the AfDB, governments, think tanks, universities and development practitioners;
- A virtual repository of relevant publications and opinion pieces on COVID-19 response policies and practices in Africa and from around the world;
- Regular webinars/e-seminars to brainstorm on emerging case studies of good and bad practices and lessons learned;
- Country-specific case studies on strategies for more resilient economies that can withstand exogenous shocks such as the COVID-19 pandemic; and
- An interactive virtual marketplace with an “ask the experts” function to enable policymakers to access rapid technical advisory services in real time.

The first G-CoP webinar, held in April 2020, was assembled around the theme of macro-economic policy responses for promoting resilience in African economies post



Dr Akinwumi A. Adesina

President of the African Development
Bank Group

COVID-19,

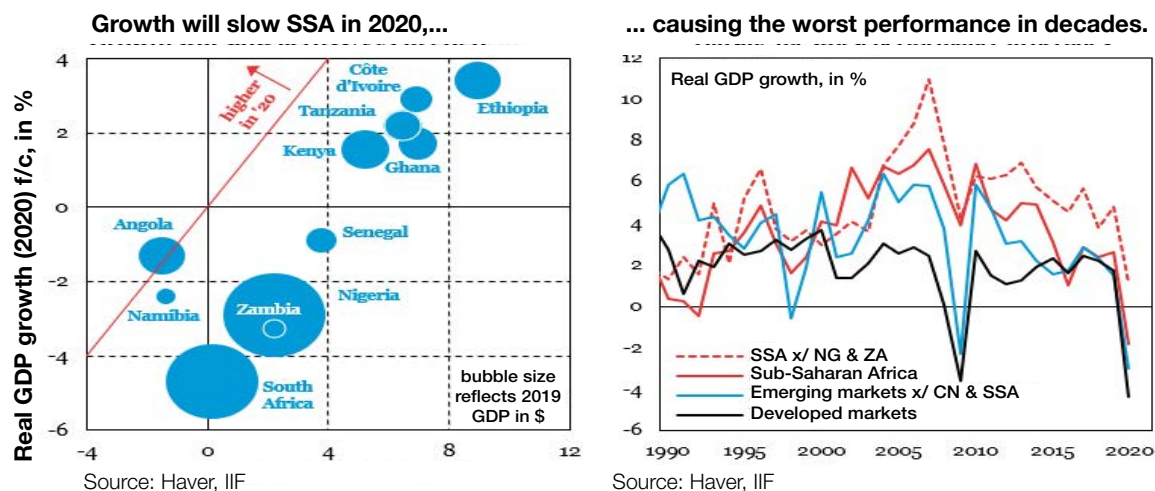
This report summarises the highlights of these highly productive and illuminating engagements and is the first in a series of policy advisory documents prepared by G-CoP with input from global experts to assist policymakers on the way forward. The outcomes will definitely inform the dialogues and decisions of policymakers, academics and pundits all over the world who are seized with the consequences of this pandemic.

I would like to commend ADI for their wonderful initiative and express my sincere gratitude to our partner organisations, including the World Bank, the International Monetary Fund and the African Economic Research Consortium as well as to the many individuals who generously participated in the seminar, which informed the policy recommendations in this report.

In the face of adversity, Africans adapt and innovate. Although the fight against COVID-19 is far from over, we know that victory will be ours as long as we keep working together. Together we will build a better Africa — an Africa where everyone is a winner.

Dr Akinwumi A. Adesina
President of the African Development Bank Group

CHART 1 IMPACT OF COVID-19 PANDEMIC ON AFRICA



INTRODUCTION

The COVID-19 pandemic has brought unexpected exogenous shocks that have resulted in global, regional, and national policy responses. To contain the spread of the virus and mitigate its impacts, different countries have adopted unprecedented policy measures based on their capacities. These measures are largely two-pronged. The first set – short term – focuses on immediate response strategies to flatten the disease curve through non-pharmaceutical prevention and containment measures – notably personal hygiene, social distancing, border closures, and lock-down of economic activity to various degrees. The second set takes the form of eased monetary and fiscal policies to help citizens, businesses and public institutions to cope with the crisis. Indeed, most of the policy interventions have focused on the short term.

Due to existing vulnerabilities, Africa is likely to be severely hit by the COVID-19 pandemic. The short-, medium-, and long-term economic, and social consequences of the pandemic are yet to be fully understood. The crisis is projected to bring about a contraction of -3.0 % of GDP in the global economy in 2020, far worse than in the 2008-2009 financial crisis (-0.07%)¹. Africa's GDP in 2020 is estimated to fall by -1.7% in the baseline scenario which assumes that the pandemic and lockdowns would not last beyond the first half of 2020 and that all African countries will be affected. In the worst-case scenario, growth is estimated to contract up to -3.4%, assuming that the pandemic and associated lockdowns last beyond the first half of the year and all countries are affected². This represents the worst economic performance by African countries in the last half century. The crisis is projected to cost Africa cumulative GDP losses ranging from US\$173.1 billion to US\$236.7 billion for 2020 and 2021 (AEO 2020 Supplement). As a result, an estimated 24.6 to 30 million jobs could be lost. The direct impact of the pandemic on over 23 million already vulnerable workers in Africa would drive up the total number of people living in extreme poverty to 463 million in the worse-case scenario as unemployment levels jump.

Fiscal deficits are projected to double, and debt levels are estimated to build up by an additional 10 percentage points of GDP. The additional public sector financing gap as a result of the pandemic is estimated at US\$ 122 billion. African leaders are already calling for hundreds of billions in financial support and immediate debt relief to create the fiscal space governments need to respond to the pandemic. The tightening of global financial markets, capital flight to safety and the decline in financial inflows—foreign direct investments, remittances and portfolio flows—have led to widening sovereign bond spreads and currency depreciations accompanied by a sudden uptick in inflation in many countries (AEO 2020 Supplement). The stratification of the continent along MIC, Developing, and Fragile, being used increasingly in taking global, regional and domestic policy options.

The impacts of the COVID-19 pandemic on the global systems of cooperation will have strong implications for Africa. The immediate impacts of the virus on global and national health systems, economies, trade, cultures, and societies have brought to the fore a number of issues. At the global level, the current systems of global cooperation

¹ IMF's World Economic Outlook, April 2020 Update

² AfDB's African Economic Outlook Supplement, May 2020 Update

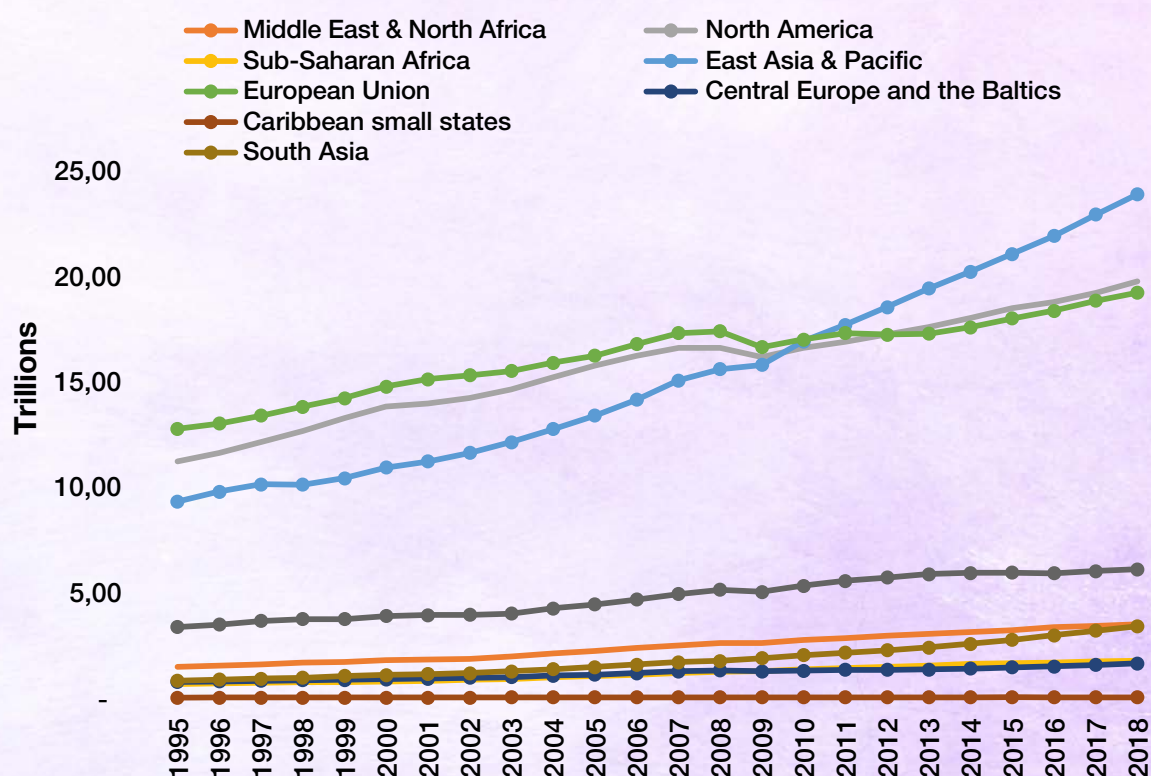
(health, economic, social norms, knowledge management and intelligence, etc.,) that focus on securing geographical boundaries (defined as nation states) appear to have fallen far short of what is required to address contemporary global challenges. Prior to the COVID-19 pandemic, climate change, social media, e-markets and other 4th industrial revolution technologies (bitcoins, blockchain, robotics, etc.,) and globalized value chains were already stretching the ability of available economic policy tools (especially fiscal and monetary policy implemented at national level) to address contemporary global public policy challenges. COVID-19 has deepened questions regarding the adequacy of the current system of global co-operation and national policymaking.

Like other Multi-lateral Development Banks (MDBs), the African Development Bank Group has put in place a COVID-19 Rapid Response Facility of up to USD 10 billion to help RMCs respond to the COVID-19 crisis in 2020. COVID-19 is spreading quickly in Africa and is already straining the continent's fragile health systems, economies, trade, cultures, societies and livelihoods. Africa's public and private sectors, individuals and communities are struggling to respond to the pandemic amid commercial lockdowns and disruption of income sources. It is estimated that Africa will require stimulus package worth \$110-\$150 billion to provide social and economic relief to its economies in the wake of the pandemic (AfDB Coronavirus Note).

The African Development Institute (ADI) of the African Development Bank Group (AfDB) convened a Global Community of Practice (G-CoP) on COVID-19 response strategies to support countries with evidence-based policy response strategies, capacity development and technical assistance. The inaugural policy seminar of the G-CoP convened on 29 April 2020 brought together 516 delegates including leading global experts in macro-economic policy, former Ministers of Finance, former Central Bank Governors, and anchor institutions globally to consider strategies for Enhancing Resilience in African Economies through Macro-Economic Policy Responses to COVID-19 Pandemic in Africa. The seminar examined the short, medium and long-term policy response strategies to flatten the COVID-19 disease curve and build more resilient, inclusive and sustainable economies in Africa in the post-COVID-19 world. It also examined the potency, applicability and multiplier effects of each policy measure in Africa's social, economic and political context.

This policy brief summarizes the key policy options that emerged from the seminar. It includes the short-term policies for COVID-19 prevention and containment, medium-term policies for reopening and rebuilding the economies, and long-term policies for building more resilient and inclusive economies in Africa and resetting the drive towards achieving the SDGs. The policy brief also presents a high-level summary of the potency and appropriateness of each policy option within the African contexts and suggest remedial actions to address the implementation challenges. The overarching goal is to equip African countries with policy options to contain the COVID-19 virus, recover and rebuild better economies with a focus on the quality of growth more than the quantity of economic growth. It was noted that the benefits of the current neo-liberal economic order have at best been unequal, with Africa at the base of the pyramid. Given the global response to the pandemic and exogenous shocks experienced by the continent in global supply systems, the COVID-19 pandemic provides an opportunity for Africa to 'glocalize'- "think globally and act locally" - and build an economy that focuses on efficiency, sufficiency, inclusiveness, and sustainability. This is the best way to enhance resilience to exogenous shocks such as COVID-19 in the Africa we want.

CHART 2 GROSS DOMESTIC PRODUCT BY REGIONS, 1995 – 2018 (CONSTANT US\$ 2010)



This chart reveals benefits of Neo-liberalism, Democracy, Globalization, and Free Markets among regions. Obviously, Africa has not benefited much from the status quo.



MATRIX OF POLICY OPTIONS FOR ADDRESSING THE IMPACTS OF COVID-19 IN AFRICA

	National Policy Options	Implementation Challenges	Remedial Actions
SHORT-TERM	<ul style="list-style-type: none"> Prevention and Containment: "Do whatever it takes to prevent the spread of the COVID-19 virus at all costs to save lives, protect livelihoods, and shore up thriving small and medium scale enterprises". 	<ul style="list-style-type: none"> Existing vulnerabilities including disease burden (malaria, HIV/AIDS, diabetes), chronic food poverty, over-crowded dwellings, lack of basic amenities including clean water, electricity, and shelter makes implementation of lock-downs without provision of adequate social safety nets potentially fatal for the poor. 	<ul style="list-style-type: none"> Countries should consider local pre-conditions and vulnerabilities in defining and implementing prevention and containment policies including lock-downs and social distancing measures³.
	(a) Social protection and social safety nets – handouts in cash or kind, unemployment benefits, informal sector workers.	<ul style="list-style-type: none"> Poor social Identification, Transparency and Accountability Systems: Weak social and legal identification systems for tracing vulnerable groups and transferring benefits, potential leakages in the public financial system and lack of fairness⁴. 	<ul style="list-style-type: none"> Leverage existing national data information like voters' registration cards, drivers' licences, and Bank Verification Number (BVN) that are issued to almost all adults.
	(b) Tax reduction, tax holidays / deferrals on the revenue side ⁵	<ul style="list-style-type: none"> Limited monetary and fiscal space, and lack of flexibility in budgetary systems, shrinking of the tax base 	<ul style="list-style-type: none"> Undertake budget reprioritization with reallocation of idle and freed resources (e.g. travel) as a result of the pandemic to sectors of need (e.g. health)
	(c) Budget restructuring and fiscal deficit financing on the expenditure side ⁶	<ul style="list-style-type: none"> High debt levels, commodity price effects on export revenue and trade balance constrains fiscal space to respond 	<ul style="list-style-type: none"> Restructure budgets to increase investment in research, product development and local manufacturing of basic health equipment for immediate use.
	(d) Targeted support for the private sector to enable companies and SME's to access banking loans to maintain their businesses ⁷ .	<ul style="list-style-type: none"> High levels of informality of many businesses in some countries Market shut-down and COVID-19 impacts reduce availability of collaterals and ability to service commercial Bank loans. 	<ul style="list-style-type: none"> Encourage micro-insurance and micro-pension schemes; modernization and digitization of traditional micro-savings and micro-credit practices. Use registered enterprises such as banks and utility companies as intermediaries to reach the SMEs in the informal sector.

³ There is no magic silver bullet policy that fits all country contexts. For example, people aged 60 years and above are known to be more vulnerable to COVID-19. African countries should consider its demographic composition and leverage its youthful population as an asset in defining COVID-19 policy response measures. Ultimately, policies should be informed by scientific evidence and epidemiological and economic models, accounting for local realities of each country. Policies targeted to protect the most vulnerable populations rather than implementing total lock-down policies that can have severe consequences for citizens. Copying policies from elsewhere is not a good policy stance.

⁴ There is need to find appropriate measures to effectively identify target beneficiaries of COVID-19 relief packages and avoid political capture, leakages and corruption in implementation procedures.

⁵ Tax reduction and tax holidays are helpful in the short term to support families and small businesses, but with the projected medium to long term impacts of COVID-19 on economies across the continent, this will further constrain the fiscal space for economies to respond to future shocks.

⁶ Restructuring national and corporate budgeting and financial accounting systems required to build in buffers for rainy days such as COVID-19. A typical example is the innovative expenditure switching strategies deployed by the Republic of Kenya to mop up domestic and international travel budget for COVID-19 response investments.

⁷ Commercial Bank loan restructuring and cash transfers to citizens and small businesses are urgently required in some countries to prevent bankruptcies among small and medium scale enterprises, most of them in the informal economy.

	National Policy Options	Implementation Challenges	Remedial Actions
SHORT-TERM	(e) Managing public debt: Seek debt relief and debt forgiveness	<ul style="list-style-type: none"> Some countries already had high debt levels and accumulated arrears. Actual debt obligations and data are weak, poor credit ratings of sovereigns, and issues poor fiscal management, Debt moratoriums / deferrals are helpful in the short term. However, considering the massive impacts of the COVID-19 on already constrained fiscal balances of countries, debt forgiveness is ideal. 	<ul style="list-style-type: none"> The African Union and the African Development Bank to champion advocacy for debt forgiveness with the G-20 Member States or conversion of such debts into investments. African Development Bank to establish a Public Finance Management Academy to support RMCs in prudential management of public resources.
	((f) Restructuring corporate debt	<ul style="list-style-type: none"> Collapse in stock and credit markets and commodity price effects on export revenue and trade balance constrains fiscal space to respond. 	<ul style="list-style-type: none"> Encourage companies (SMEs and MSMEs) to restructure financial statements to make provision for a sinking /guarantee reserve fund in good times⁸.
	(g) Loan guarantee schemes	<ul style="list-style-type: none"> Non-availability of credit database platform and collateral register that guarantees easy identification of individual and corporate (SMEs) borrowers. Prohibitive cost of loan administration. High default rates on loan repayment 	<ul style="list-style-type: none"> Relaxation of loan application condition to include movable assets and collaterals. Promote 'non-collateral' lending of group lending that follows the Grameen Bank model⁹. This may include innovative repayment method in smaller amounts and more regularly from sales (e.g., twice/ week) to minimize risk of default. Advocate and promote special banking that includes traditional and non-interest banking and use of solidarity groups.
	(h) Fiscal stimulus and monetary creation / quantitative easing ¹⁰ .	<ul style="list-style-type: none"> Limited fiscal balance and monetary capacity in most countries before the pandemic with debt sustainability challenges and limited monetary transmission mechanism becoming a major concern. 	<ul style="list-style-type: none"> Fiscal stimulus and quantitative easing policies must be defined by the fiscal and monetary capacity of countries to manage their potential consequences on budget spending (debt servicing) and inflation¹¹.
	(i) Effective Communication: Transparency and timeliness of communication required to maintain government credibility and citizen's trust.	<ul style="list-style-type: none"> Trust deficit among political leaders and citizens. Social media 'information deluge' and irreducible uncertainties around COVID-19. 	<ul style="list-style-type: none"> Invest in structured, transparent and timely communication on status of action by public servants.

⁸ This sinking fund could be held in trust by Central Bank's and National Treasuries who may in turn provide matching contributions in annuity to companies as an incentive to invest in the fund. The Fund should become available to companies only in times of exogenous shocks such as the COVID-19 pandemic. US Chapter 11-type laws that make restructuring easier might also be helpful.

⁹ This model employs low interest rates that cover costs, peer pressure, small weekly repayments, and personal contact with borrowers to promote repayment.

¹⁰ This requires inter-state and inter-sectorial coordination to prevent unsustainable debt, limiting their fiscal margin and handicapping future generations in the developing countries.

¹¹ With the unprecedented easing of fiscal and monetary policy prudential limits in many advanced countries, Central Banks and National Treasuries need to carefully manage quantitative easing and inflation with a laser focus on price stability and the distributional effects of exchange rate effects of eased fiscal discipline in the developed countries. The potential deflationary and "reserve currency effects" of COVID-19 stimulus on African countries should be kept in view. Some experts propose "deficit financing as the only option, with all its perilous consequences"; Other argue that "balanced budgeting with associated austerity measures is the way forward". It is estimated that that with imminent decline in remittances, most African countries would run deep deficits in the balance of payments. Declining revenues and rising expenditure hence result in faster deterioration in primary balance of the government budget. Hence, deficit financing becomes the only option, with all its perilous consequences. Countries need to consider their own local contexts and do whatever it takes to save lives, rescue fledgling SMEs and MSMEs, and ultimately save the economy for the future. The lack of adequate fiscal space and strong financial systems in Africa prior to the pandemic requires that both the easing of monetary policy and the use of fiscal stimuli must be carefully disciplined by the available policy space for implementing these responses. The direct COVID-19 impact on their economic growth prospects, fiscal and financial systems, as well as external debt status suggest that if these responses are not carefully calibrated to take account of both the existing vulnerabilities and direct COVID-19 economic impact, "the cure may turn out to be worse than the disease". ADI and Partners will conduct further research on the subject to provide evidence-based policy advice to member countries.

	National Policy Options	Implementation Challenges	Remedial Actions
	(j) Transparency and accountability measures: Monitoring and evaluation of the MDB-funded COVID response stimulus packages and Donor grants to ensure that the funds are put to best use.	<ul style="list-style-type: none"> Weak accountability systems in the Regional Member 	<ul style="list-style-type: none"> Strengthen supreme audit institution and other accountability mechanisms in the RMCs¹². Place some focus on Internal Audit Units (frontline, integrated with Controller Units, and pre-audits and investigations).
	(k) Investments in the health sector: Accelerated investments in domestic production of medical supplies including personal protective equipment (PPEs), diagnostics, vaccine and drug discovery to augment supply chain disruption. ¹³	<ul style="list-style-type: none"> Weak capacity of domestic firms for local production resulting from non-availability of basic infrastructure (energy), skills, and enabling business environment. Consumer tastes and preferences for foreign products 	<ul style="list-style-type: none"> Increase support to the Africa Center for Disease Control (CDC) to strengthen monitoring of the health sector in Africa in collaboration with the Ministries of Health continent-wide. Provide emergency infrastructure support to local producers. Examples could be off-grid solar battery powered electricity to textile firms producing medical masks, and seed funding to inventors to develop announced product ideas (diagnostic tests, ventilators, potential drugs) Measured import duties to favour demand for local products
	Other Monetary Policy Measures: (l) Reducing interest rates (m) Providing liquidity to commercial banks and allowing bank forbearance on domestic private loans. (n) Reducing collateral requirements and financing local production of medical supplies. (o) Provide support to the banking system. ¹⁴	<ul style="list-style-type: none"> High inflation rate that makes reduction in nominal interest rate to become negative real interest rate. Moral hazard related to bailout. 	<ul style="list-style-type: none"> Central Banks to deploy conventional and non-conventional tools to manage inflation. This could include consideration of appropriateness of inflation targeting. Reduce information asymmetry through effective bank supervision by the monetary authorities. Also need to manage expected bailout probabilities because this would significantly influence risk taking by banks.
	(p) Managing inflation and focusing on price stability by the monetary authorities	<ul style="list-style-type: none"> Weak structure of the economy and large informality. Challenge of linking inflation management and growth with exogeneity of inflation drivers, weak monetary policy transmission mechanism, and shallow nature of financial markets. 	<ul style="list-style-type: none"> Focused management of the monetary policy transmission channels through adoption of appropriate monetary policy framework.

¹² It was noted that the African Development Institute is currently developing a Public Service Delivery Index (PSDI) to enhance transparency and accountability in public service delivery in Africa.

¹³ Examples in Kenya (production of medical masks), Senegal and South Africa (production of COVID-19 test kits), Morocco (target production of 10 million masks a day and 50 ventilators a month) Nigeria (production of ventilators), Ghana ("Veronica" buckets for handwashing), and other emerging social innovations suggest that there is latent capacity in Africa that need to be leveraged and accelerated through targeted investments.

¹⁴ The pandemic would push some companies into bankruptcies that would, in turn, put liquidity and solvency pressures on the banking system. A system of support such as guarantee is needed to avoid a systemic risk associated with bank failure.

	National Policy Options	Implementation Challenges	Remedial Actions
SHORT-TERM	<p>Non-Monetary Measures:</p> <p>(q) Implement modified versions of non-pharmaceutical measures of containment based on local conditions. This should involve mobilizing community actions as well as educate and persuade the general public with emphasis on benefits that include own and public safety.</p> <p>(r) Public health education through the use of teachers', youths', students' and neighbourhood associations, NGOs, community leaders, and faith-based organizations.</p> <p>(s) Establishment of crowd funding platforms to mobilize financial support for the most vulnerable from all possible diverse sources.</p> <p>(t) Relax labour laws and introduce cyclical working hours and incentives for e-working across board. People can work from the office in two-week cycles, on the job for 4 days and at home in lock-down for 10 days¹⁵.</p>	<ul style="list-style-type: none"> • Global incentives to adopt policies crafted for other contexts. • Fear of failure because this is experimental and has not been tried elsewhere. • Could be considered external and non-home grown. • Fear of political capture. • Perceived corruption among public officials may limit voluntary donations. Individuals and organizations could abuse the opportunity and rather use the platform to propagate personal interest. • Lack of trust in government by potential donors who will rather prefer to administer their support directly. • High percentage of the population (71%) are employed in the informal sector making labour laws difficult to implement. Many workers have no internet connection and/or laptops to operate in working from home models. Many do not have access to electricity at home even if laptops and internet facilities are provided. 	<ul style="list-style-type: none"> • Dare to be innovative and different. Use evidence-based on science and epidemiological models relevant to local contexts. • Build confidence in local researchers to provide local content for policymaking. • Leverage existing strong community, traditional and faith-based institutions to mobilize support and drive implementation of the innovative initiatives. • Effective monitoring and evaluation. Use of electronic wallet approaches to mobilise donations and track effective targeting of the vulnerable populations. • Involve anti-corruption institutions, CSOs, NGOs, multilateral organizations, and respectable private sector individuals to boost confidence and assure judicious use of funds raise. • Innovative financing to support informal markets. • Invest in ICT and modular energy infrastructure in the medium term to support the new work culture. • Apply flexible options so that those who want can work from home and those who can't work from home may go to the office¹⁶ • Invest in capacity development for medical personnel,
	<p>(u) Temporary redeployment of workers to critical sectors, industries, and regions¹⁶.</p>	<ul style="list-style-type: none"> • Will require resources for retraining and redeployment, 	
	<p>Countries to carefully consider short term policies based on scientific evidence and national contexts including the prevailing socio-cultural, economic, political and environmental conditions and existing vulnerabilities, as well as the policy multiplier effects and negative externalities within and between key sectors of national economies. There is no magic bullet policy that fits all contexts. Cultures matter. Political economies matter. And the geo-politics of development matters. But the overarching goal must be to save lives, protect livelihoods, and support the fledgling small and medium scale enterprises, and save the economy from collapse.</p>		
	Regional Policy Options	Implementation Challenges	Remedial Actions
	<p>1. Accelerate the implementation of existing continental policies and strategies.¹⁷</p>	<ul style="list-style-type: none"> • Africa's intra-trade averaged just around 15% (2015-2019) whereas the rest of the other continents have more intra trade with the EU's 67% being the highest¹⁸. 	<ul style="list-style-type: none"> • The continent to implement a more inward-looking strategy for African countries along the lines of the Hi5s, Agenda 2063 and AfCFTA.

¹⁵ This would break the infection cycles for the corona virus and also reduce the number of people in offices each day to facilitate social distancing.

¹⁶ Medical students could be mobilized and given additional hands-on training to enable them support the doctors, nurses and medical practitioners in screening, testing and treating people with Covid-19.

¹⁷ These include AfCFTA, Abuja Declaration on health infrastructure investments, the Hi-5s and Agenda 2063. The pooling and integration of the continent's resources in the industrial, agricultural, scientific research, mining products, energy and food sectors, is the best response to reduce this external dependency and boost the African economy.

¹⁸ <https://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=520>

	Regional Policy Options	Implementation Challenges	Remedial Actions
SHORT-TERM	(a) Inaugurate a Committee of 30 former Ministers and Central Bank Governors to champion accelerated implementation of the existing continental agreements and development strategies including the Hi-5s, AfCFTA and Agenda 2063 and report to the AU Summit annually.	<ul style="list-style-type: none"> Ensuring quality, integrity and regional balance of members and impact will require careful selection criteria and AUC mandate to credibility. Resources required to sustain the activities of the Committee need to come from Africa to ensure independence and confidence. 	<ul style="list-style-type: none"> The AUC to define selection criteria and performance Indicators for Members. The AfDB should consider committing part of its COVID-19 Response Facility to facilitate the work of the Committee.
	(b) Trade policies that favor local industries and sustainable production.	<ul style="list-style-type: none"> Same as above 	<ul style="list-style-type: none"> Introduce and strengthen local content policy.
	(c) Build capacity in STEM - 4th Industrial Revolution Technologies. Prioritize -E-gov, E-trade, E-services, E-banking, and E-education.	<ul style="list-style-type: none"> Current gross expenditure on research and development (GERD) is too low to build competitive capacity in STEM subjects and skills. 	<ul style="list-style-type: none"> Implement existing commitment to invest at least 1 percent of GDP on research and development.
	(d) Improve Integrity, Accountability in Public Service Delivery	<ul style="list-style-type: none"> Perceived corruption index limits investment flows and citizen's trust in public officials. 	<ul style="list-style-type: none"> Adopt and implement the Public Service Delivery Index (PSDI) of the African Development Bank Group and the Mo Ibrahim index.
	(e) Accelerate investments in the implementation of the Bank Group's Hi-5s: to build resilience in the energy, agriculture, industrial, regional integrating and trade, and health, education, science and technology sectors ¹⁹ .	<ul style="list-style-type: none"> Limited head-rooms in many countries due to risk ratings and other country classification systems: fragile, and middle income.. 	<ul style="list-style-type: none"> The AfDB to consider relaxing the classifications and other conditionalities during pandemics. Developed countries are not squeamish about relaxing fiscal and monetary prudential requirements because the pandemic requires a War Cabinet approach. MDBs should do the same for loans and grants for developing countries as well. A continental fund for emergencies should be created/ established. Enhance collaboration/synergy further (e.g., US Power Africa, AGOA, and AfCFTA)

¹⁹ Delegates noted that the Hi-5s provides a practical framework for building resilience in Africa's economies. Countries should invest in the Hi-5s to achieve the SDGs and Agenda 2063.

	Global Policy Options: Multilateral and Bilateral Interventions ²⁰	Implementation Challenges	Remedial Actions
SHORT-TERM	1. Grants and concessional loans to provide countercyclical support to countries:	<ul style="list-style-type: none"> Country risk ratings, fiduciary risk considerations, and lack of absorptive capacity in the countries may limit the scale and speed of disbursements to address the crisis timely. 	<ul style="list-style-type: none"> MDBs and Bilateral Agencies to consider relaxed conditionalities and requirements. Adopt a war time rapid response approach²¹.
	(a) Balance of Payment and Budget support ²²	<ul style="list-style-type: none"> Country classified as middle-income countries lose out on concessional loans constraining them to resort to commercial loans at expensive and sometimes non-transparent rates and conditions²³. 	<ul style="list-style-type: none"> MDBs to reconsider relaxing the condition for middle income countries in COVID-19 financing projects.
	(b) Public debt relief ²⁴ .	<ul style="list-style-type: none"> A temporary relief measure that postpones the payment to an uncertain future. 	<ul style="list-style-type: none"> African countries to seek debt forgiveness. The AfDB and AUC to lead an advocacy campaign to the G-20. African countries to prioritize domestic resource mobilisation²⁵.
	(c) Selective debt cancellation could help more transition countries.	<ul style="list-style-type: none"> Low appetite for debt cancellation by the G-20 countries who are also struggling to address impacts of COVID-19 on their fiscal balance. Post-HIPC experience not encouraging. Weak institutional capacity and weak coordination of Africa-led institutions; dependence on external grants detracts from local agenda setting and sustained knowledge dependence 	<ul style="list-style-type: none"> Plug leakages through corruption and illicit financial flows and channel national resources to productive use. Implement fiscal consolidation and short-term austerity measures to live within each country's monetary and fiscal capacity. The AfDB to establish a capacity development coordination platform to mobilise knowledge resources to support policy dialogue and technical assistance to member countries and strengthen African institutions.
	(d) Strengthen capacity for development, knowledge brokerage and policy dialogue: aiding countries with knowledge synthesis, targeted policy dialogue, and technical assistance to support policy choices and strengthen implementation capacity in the countries.	<ul style="list-style-type: none"> Poor budget allocation to knowledge generation and R&D at national level. 	<ul style="list-style-type: none"> AfDB Global Community of Practice (G-CoP) to invest in supporting countries to mobilise resources to finance R&D, technical assistance, policy dialogue, and youth / women scholarships in STEM subjects.

²⁰ African Development Bank (AfDB); International Monetary Fund (IMF), and the World Bank.

²¹ The speed, scale and geographical spread of COVID-19 is unprecedented and so are the fiscal and monetary policy responses in the developed countries to contain the virus, save lives, businesses and economies. War time is not a period to be squeamish about risk ratings and conditionalities. Delays might be more expensive in the long run through high mortalities, bankruptcies and failed economies in member states. When one's house is on fire, one does not read the small prints in insurance policies before saving lives and property.

²² This would aim to improve lack of foreign exchange and budget incomes that lead to falling values of domestic currencies that transmit into high domestic prices for imports.

²³ Exclusion of middle-income countries from accessing concessional loans to address the COVID-19 crisis presents double challenges for Africa. The MICs are the larger economies which the fragile countries depend on for trade and industry. In addition, sustained exogenous shock to markets in the MICS will pull down the growth outlook in the region. This will have pass through effects on the fragile economies as well.

²⁴ This would take the forms of suspension of amortization and interest payment to prevent some countries from defaulting.

²⁵ It was noted that no country has ever developed through aid and debt forgiveness. Debt should be used to finance productive assets not liabilities.

	Global Policy Options: Multilateral and Bilateral Interventions	Implementation Challenges	Remedial Actions
SHORT-TERM	<p>(e) Global and Multilateral Systems Reform</p> <p>(f) African countries should be more involved in managing the global economic systems and its associated value chains and supply systems to advance their economic interests.</p>	<ul style="list-style-type: none"> Tokenism: The small economic size of the national economies limits the voice on individual member countries in the Global & multilateral systems of cooperation, including the UN, WTO, WHO etc. Africa holds huge potentials in natural resources upon which the global economy relies but depend on foreign countries for aid, grants and loans to finance development. Unequal application of neo-liberal economic principles distorts financial markets and impairs monetary and fiscal policy stance of developing countries.²⁶ 	<ul style="list-style-type: none"> Africa to strengthen regional integration to speak as one continent. Africa to invest in financing natural capital development to create wealth. Implement local content policies that prevent resource exports without value addition. African countries implement strict monetary and fiscal policy measures to hedge these risks.
	National Policy Options	Implementation Challenges	Remedial Actions
MEDIUM-TERM	<p>1. Build resilience capacity – the readiness to manage exogenous shocks.</p>	<ul style="list-style-type: none"> Short memory and tendency to quickly go back to business as usual. COVID-19 is a pandemic within pandemics and will not be the last. 	<ul style="list-style-type: none"> Strengthen Africa-led policy research institutions so that they can become engines of knowledge generation and innovation. Country capacity needs assessments to identify all the challenges related to developing relevant country capacity development strategies.
	<p>(a) Build monetary and fiscal buffers in good times²⁷.</p>	<ul style="list-style-type: none"> Limited fiscal space and low savings culture 	<ul style="list-style-type: none"> Invest in sovereign wealth funds, national reserve and other sinking funds in good times to save for the rainy day. Fiscal and monetary prudence in boom times, enhance transparency and accountability in public financial management.
	<p>(b) Invest in early Warning System and Response Readiness: National, Regional, and Global.</p>	<ul style="list-style-type: none"> Poor data systems and institutional capacities for intelligence gathering and coordination. 	<ul style="list-style-type: none"> Invest in the AfDB's, Africa data highway, strengthen national statistics bureaus. Focus on building strong national institutions and governance structures as well as addressing the interaction between them.
	<p>(c) Economic diversification and strategic value chain development and deepening domestic markets informed by efficiency and sufficiency not profit maximization.</p>	<ul style="list-style-type: none"> Weak industrial base occasioned by the dearth of basic infrastructure, particularly electricity. 	<ul style="list-style-type: none"> Creating and raising MSME awareness on innovativeness in marketing, company identification (unique addresses), insurance support

²⁶ Easing of monetary and fiscal policies in the United States and in Europe have significant transmission effects in Africa's forex market, and drives inflation due to reserve currency effects. In many ways, the United States and European Central Banks print money to address exogenous shocks to their economies and transfer the inflationary and forex effects to Africa and the developing world. In addition, Africa and Developing countries receive the excess in loans with implications for current and future fiscal space for countries in the developing world.

²⁷ Foreign exchange reserves, strategic food reserves, strategic reserves of medical equipment, strategic investment in institutional capacity and supreme audit / accountability agencies, Sinking Fund and Disaster Relief system, rules-based Stabilization Fund, etc.

	National Policy Options	Implementation Challenges	Remedial Actions
	(d) Prudential public finance management and Balanced Budget Management.	<ul style="list-style-type: none"> Limited fiscal space to match consumer behavior, large government and public service remunerations drive budgets beyond domestic revenues. 	<ul style="list-style-type: none"> Implement austerity measures and drive domestic resource mobilisation (both tax and non-tax revenue).
	(e) Prioritize public health Infrastructure Investments: global, regional and national	Fiscal budget availability to finance health prioritization	<ul style="list-style-type: none"> Consider enforcing the Abuja Declaration on 15% of annual budget towards improvement of the health sector. Supporting the Africa CDC.
	(f) Establish an infrastructure Investment Fund – to accelerate the financing of the Hi-5s sectors.	<ul style="list-style-type: none"> Existing platforms such as the Africa Investment Forum (AIF) rely on external and private sector financing of projects. 	<ul style="list-style-type: none"> Countries to mobilise domestic resources to invest in infrastructure in priority sectors to enhance structural transformation in their economies.
	(g) Tax reform: Reset fiscal policy to raise Africa's tax capacity closer to the global average and demand a fair contribution to public funds from all citizens and businesses	<ul style="list-style-type: none"> Perceived lack of transparency and accountability limits public trust in Government effectiveness and reduces appetite to pay taxes. 	<ul style="list-style-type: none"> Implement AfDB's Public Financial Management Academy (PFMA) and Public Service Delivery Index (PSDI) to improve capacity for prudential management of public finances and enhance transparency and accountability in public service delivery.
	(h) Abolish inefficient fossil fuel subsidies and promote focused investment in renewable energy that offers a more resilient and decentralized energy source.	<ul style="list-style-type: none"> The complicated political economy of subsidies and vested interest make subsidy reduction and removal costly for public officials. 	<ul style="list-style-type: none"> The COVID-19 induced slump in the demand and supply side factors in the oil industry (negative price of oil) presents an opportunity to remove oil subsidies with limited political costs to Public Officials.
	(i) Restructure budgets to increase investment in research, product development and local manufacturing capacity.	<ul style="list-style-type: none"> Long-standing neglect of educational system, leading to knowledge dependence and low demand for local research products. 	<ul style="list-style-type: none"> Prioritise investments in key sectors, especially STEM education in national budgets. The AfDB to accelerate the work of ADI to become the Knowledge Bank for Africa and support resource mobilization and strengthening African institutions in research for development.
	2. A more inward-looking strategy for African countries along the lines of Agenda 2063 and AfCFTA:	<ul style="list-style-type: none"> Over dependence on global markets during the neo-liberal order has not benefited Africa and the global environment. Africa has been a market for raw materials and a consumer of processed commodities. The benefits of technical progress have therefore accrued elsewhere. Macroeconomic convergence criteria not suited to Africa's socio-political and cultural contexts. 	<ul style="list-style-type: none"> G-CoP experts to examine the development options for the post-COVID-19 Africa. Focus on quality of growth – efficiency, sufficiency and inclusiveness rather than quantity of growth only. Focus on building regional trade and regional value chains for primary products, and export knowledge and technology to the global market²⁸. Accelerate domestication of AfCFTA.

²⁸ The future in a post-COVID-19 world belongs to economies who invest in and produce knowledge and technologies not commodities.

	National Policy Options	Implementation Challenges	Remedial Actions
MEDIUM-TERM	(a) Deepen and broaden financial markets	<ul style="list-style-type: none"> Underdeveloped local financial markets with very limited financial instruments. Difficulty with integrating into international financial markets Existence of foreign-dominated financial sector, especially the banking sector General lack of expertise in global capital market operations. Poor sovereign and financial sector ratings. 	<ul style="list-style-type: none"> Leverage own decades of financial markets experience and those of developed and emerging economies to maximize learning opportunities to develop the financial sector. Seek handholding technical and financial assistance from development finance institutions that have expertise in global and local financial market operations.
	(b) Strengthen Africa-led institutions – build endogenous capacity for inclusive growth in key sectors.	<ul style="list-style-type: none"> Current Donor dependence obscures analytical focus on policy questions of interest to African countries. 	<ul style="list-style-type: none"> Invest in capacity building – including social welfare programs
	(j) Invest in disruptive social innovations and technologies – e-banking, e-health, e-education, etc.	<ul style="list-style-type: none"> Several e-technology platforms developed out of Africa (M-PESA) are yet to be scaled up due to trade and non-trade barriers. 	<ul style="list-style-type: none"> Countries to invest in technology adoption and innovation incubation. The ADI to work with Harvardx to leverage free or low-cost online platforms for education in Africa. Digitization of African economies with the introduction of e-government, e-trade, e-services, e-payments, e-training, etc
	(k) Strategic economic diversification for structural transformation	<ul style="list-style-type: none"> More attention to informal economy and innovativeness in community led businesses. 	<ul style="list-style-type: none"> Develop internal demand in the country: markets are key for inclusiveness.
	Build fiscal buffers to plan for unforeseen circumstances	<ul style="list-style-type: none"> Africa's sovereign wealth funds are often invested in foreign markets leaving the country susceptible to forex risks 	<ul style="list-style-type: none"> Improved accounting and reporting processes. Invest sovereign wealth funds in domestic markets
	Regional Policy Options	Implementation Challenges	Remedial Actions
	1. Reduce dependence on global supply system	<ul style="list-style-type: none"> Immediate shortage in basic goods being imported since there is no immediate capacity to substitute the imports with local production. 	<ul style="list-style-type: none"> There should be a strategic, gradual and planned approach to reducing dependence on global supply system. Encourage reorientation towards local production and consumption of local products to reduce import bill.
	(a) Strengthen multilateral and regional institutions.	<ul style="list-style-type: none"> Donor dependency in Africa's regional institutions shapes the agendas that are not always addressing Africa's realities. 	<ul style="list-style-type: none"> The AfDB should mobilise resources to support anchor institutions at regional, sub-regional and national levels. National Governments to provide matching funds to ensure ownership and active participation in agenda setting.

	Regional Policy Options	Implementation Challenges	Remedial Actions
MEDIUM-TERM	(b) Scale up the domestication and implementation of the AfCFTA	<ul style="list-style-type: none"> Uneven distribution of gains from AfCFTA across RECs and across countries with losers and winners emerging. 	<ul style="list-style-type: none"> Given the diversity of countries involved in the AfCFTA, there would be the trilemma of special and differential treatment of member countries, tackling behind-the-border measures, and removal of all policy-imposed barriers to trade. The AfDB to support countries with knowledge synthesis and policy dialogue to support the domestication of AfCFTA.
	(c) Set up an Africa Group of 30 (15 Ministers of Finance & 15 Central bank Governors) to assure coordinated continental actions post COVID-19.	<ul style="list-style-type: none"> Possible lack of coordination among member countries due to weak political will as well as bureaucratic and legal /funding challenges. 	<ul style="list-style-type: none"> Coordination between AUC (political) and AfDB (economic) on pushing reforms in countries.
	Global Policy Options: Multilateral and Bilateral Interventions	Implementation Challenges	Remedial Actions
	(a) Reassessment of the neoliberal policies, globalization and free trade with a view to adjusting the current paradigm ²⁹ .	<ul style="list-style-type: none"> The benefits of neo-liberal policies, globalization and free trade have been unequal. 	<ul style="list-style-type: none"> Aim not just to rebuild the economy but to build a better and more inclusive economy. Countries to review alternative models of growth and development, including green economy, inclusive economy, the doughnut economy, etc. Focus on efficiency and sufficiency rather than oxymoronic growth in GDP.
	(b) MDB's to revisit the classification and narrative on middle income countries as this status has dried up their access to concessional funding.	<ul style="list-style-type: none"> Exclusion of MICs from accessing concessional loans constrains countries to revert to commercial markets and non-Paris club loans which are more expensive and less transparent. The negative multiplier effects of this impacts on fragile economies who depend on MICs for consumer goods. 	<ul style="list-style-type: none"> MDBs to consider relaxing the classifications during times of major exogenous shocks such as COVID-19
	(c) Debt forgiveness / Cancellation	<ul style="list-style-type: none"> Debt deferrals and staggered debt service payments postpones the debt sustainability problem. 	<ul style="list-style-type: none"> The AUC to champion campaign for debt forgiveness by the G-20.

²⁹ The AfCFTA could be used as a vehicle to achieve this in industrial, agricultural, R&D, mining, energy and food sectors.

STRATEGIES FOR REOPENING THE ECONOMIES			
	National Policy Options	Implementation Challenges	Remedial Actions
MEDIUM-TERM	1. Scale up testing to identify new cases of infection ³⁰ .	<ul style="list-style-type: none"> Limited testing capacity with limited availability of testing kits since only one out of hundreds available is made in Africa. 	<ul style="list-style-type: none"> Broker partnership among researchers, scientists and national institutions to experiment on production of testing kits locally. Provide a framework for linking local researchers and institutions with global producers of testing kits to facilitate quick apprenticeship and learning. Provide seed funds to support product development and scale up.
	2. Adopt cautious, gradual and orderly reopening	<ul style="list-style-type: none"> Political pressure as well as pressure from businesses to reopen. Bandwagon effect given that other countries are reopening. 	<ul style="list-style-type: none"> Articulate an implementable action plan for reopening that must be followed properly. Avoid premature reopening because this portends more damage to the economy as the countries run the high possible risk of explosion that would necessitate a second shutdown that may prove to be longer. Prioritize lives of the people and not income in the reopening plan. Analyse, identify, prioritize and sequence reopening using appropriate measures³¹. Ensure transparency of process to build public trust and buy-in for the reopening strategy.
	3. Establish ahead of reopening a workplace health and safety standards that are clear, strong and enforceable	<ul style="list-style-type: none"> Poor or non-existent occupational health and safety practices in most public offices and places in Africa. Non-compliance by SMEs and informal sector operators. 	<ul style="list-style-type: none"> Enforce continued implementation of prevention and containment measures (physical and social distancing and avoidance of large crowds) in offices and public places for the medium-term.
	4. Articulate action plan for managing a rebound of the pandemic.	<ul style="list-style-type: none"> Existence of high-vulnerability in some communities to resurgence. 	<ul style="list-style-type: none"> Identify hotspots for possible new outbreaks and develop a plan of action for prevention and containment. Curtail large-scale movement of people over the medium-term. Use the current lockdown time effectively to build the needed structure and plan action for reopening. Collaborate with CSOs in the outreach process.

³⁰ Necessary duty of care must be taken before reopening. Reopening must be based on sound scientific and health advice regarding the epidemiological evolution of the disease

³¹ This could include potential to increase the risk of new wave of transmission, and estimated impact on the overall economy and livelihood if the lockdown continues.

	National Policy Options	Implementation Challenges	Remedial Actions
MEDIUM-TERM	5. Create widespread and far-reaching awareness through effective communication on the protocols for reopening economies.	<ul style="list-style-type: none"> Ignorance of people regarding strategy for reopening and their responsibility in the process. 	<ul style="list-style-type: none"> Use all possible communication channels and mediums to reach all citizens, especially in the most vulnerable areas.
	6. Establish effective governance for the reopening process	<ul style="list-style-type: none"> Complaints about brutality of law enforcement agents on citizens while administering lockdowns. 	<ul style="list-style-type: none"> Articulate acceptable rule of engagement by law enforcement agents during reopening process. Ensure consequence management in cases of brutality by law enforcement agents.
	7. Carefully analyze and evaluate available options for reopening the economy ³² .	<ul style="list-style-type: none"> Tendency to adopt what has worked elsewhere without proper evaluation of its relevance to local conditions. 	<ul style="list-style-type: none"> Follow a carefully planned and sequenced adaptive strategy. Based on careful assessment and analysis, articulate a national framework for reopening.
	8. Assess and gauge preparedness for reopening.	<ul style="list-style-type: none"> Uncertainty about reopening. 	<ul style="list-style-type: none"> Create criteria and checklist for reopening.
	Regional Policy Options	Implementation Challenges	Remedial Actions
	1. Ramp up testing to detect and manage cases	<ul style="list-style-type: none"> Limited resources to acquire needed testing kits. 	<ul style="list-style-type: none"> Provide direct emergency funding support to African researchers and manufacturers to manufacture test kits locally. Support countries in the procurement and deployment of foreign produced testing kits.
	2. Position Africa CDC to take the lead in the reopening process through scientific and health advice on the epidemiological evolution of the virus.	<ul style="list-style-type: none"> Weak nature of the Africa CDC given its affiliation to the AUC. 	<ul style="list-style-type: none"> Grant Africa CDC legal, institutional, and operational autonomy
	3. Support countries through financing rebuilding.	<ul style="list-style-type: none"> Most DFIs and multilateral institutions are cut for emergency finance and operations only without provision for socioeconomic rebuilding. 	<ul style="list-style-type: none"> Consider setting up a COVID-19 Economic Rebuilding Fund Consider establishing a Continental Emergency Fund
	4. Ensure continued and ongoing guidance to countries on ease of lockdown protocol process.	<ul style="list-style-type: none"> Fatigue and premature feeling of eureka. 	<ul style="list-style-type: none"> Continued coordination with national CDC and health institutions on appropriate safety measures and procedures during the lockdown process.

³² Available options include full reboot approach or graduated approach.

	Global Policy Options: Multilateral and Bilateral Interventions	Implementation Challenges	Remedial Actions
MEDIUM-TERM	1. Avail countries lessons learned (good and not-so-good) for reopening the economies	<ul style="list-style-type: none"> Countries could interpret this as prescriptive and this may be misconstrued as one-size-fits-all approach. 	<ul style="list-style-type: none"> Collaborate with local institutions to understand and incorporate local conditions
	2. Mediate cheap long-term loans for economic rebuilding.	<ul style="list-style-type: none"> Weaker economic condition of African countries that render them less creditworthy. 	<ul style="list-style-type: none"> Provide guarantees for borrowing by countries.
	3. Provide leadership by example.	<ul style="list-style-type: none"> Overwhelming demand for assistance from countries. 	<ul style="list-style-type: none"> Provide specialized technical assistance to countries in the reopening process, especially rebuilding the economies, based on specific needs of countries.
	National Policy Options	Implementation Challenges	Remedial Actions
LONG-TERM	1. Revamp skills development policy and systems with emphasis on the future of work ³³ .	<ul style="list-style-type: none"> Economic growth lagging behind population growth³⁴. Limited economic diversification with continued commodity-led economic activities and growth. Poor level of productive technology adoption. Non-availability of the right and supportive policy conditions and investments appropriate technologies. 	<ul style="list-style-type: none"> Legislate mandatory investments in technologies and R&D by government and private firms to ensure availability and affordability of digital infrastructure to rural and urban population. Establish appropriate business environment through legislation or Presidential Directives that ensures establishment of better physical and soft infrastructure. Institute a framework for digital infrastructure regulation to promote competition, access and national integration. Deepen provision of basic infrastructure like electricity and support entrepreneurs and inventors that are working to upgrade the skills of low-skilled informal sector workers. Introduce subjects like coding, data analytics, entrepreneurship, and Technical and Vocational Education Training Strategy (TVET) in school curriculum beginning from primary school.
	2. Develop intermediary cities ³⁵ .	<ul style="list-style-type: none"> Absence of a framework for private sector development and engagement. Dominance of the public sector in national economic space. 	<ul style="list-style-type: none"> Incorporate secondary cities into national development strategies. Develop, oversee and coordinate policy and regulatory frameworks for development of intermediary cities. Domesticate the National Urban Policies (NUPs) that emanated from Habitat III in 2016. Develop and implement an infrastructure development strategy that emphasises spatial strategy. Adopt innovative fiscal and financing strategy that ensure increased public budgets and leverage this to attract private and multilateral institutional financing.

³³ Expand remote learning and reskilling initiatives for all non- or under-utilized employees

³⁴ Between 2000 and 2014, employment expanded by less than 1.8% while labour force growth was 3% per annum. It is estimated that by 2030, 30 million youth will be entering the labour market annually with need to create 18 million jobs annually to absorb new labour market entrants. Yet, only 3 million formal jobs are being created with only 4% of new entrants between 2010 and 2020 were able to find work in industry and 21% in services.

³⁵ This will aim to provide critical infrastructure that will play a crucial role in connecting Africa's rural-urban supply chains and helping local SMEs meet domestic and regional demand

	National Policy Options	Implementation Challenges	Remedial Actions
LONG-TERM	3. Sovereign issuers to consider adjusting their borrowing strategies to mitigate refinancing risk and increase financing capacity. ³⁶	<ul style="list-style-type: none"> • Shallow financial and capital markets • Poor sovereign debt ratings that limit borrowing power and force the countries to pay higher-than-normal coupon rates on sovereign loans. • The global perception that African sovereign debt bonds are unhealthy. • Excessive fiscal expansion and public debt management challenges. 	<ul style="list-style-type: none"> • Ensure prudent use of funds borrowed by tying such borrowing to a specific project. • Issue bonds that provide appropriate benchmarking for domestic government and corporate bond markets. This will contribute to the development and deepening of sub-national and corporate bonds in the domestic market. • Invest in policies and actions aimed at improving economic fundamentals.
	4. Anticipate the fossil fuel crisis ahead and begin transition to low carbon economies.	<ul style="list-style-type: none"> • Low access to energy where any form of energy is better than none. • Easy accessibility, affordability and dependence on unclean cheap energy sources such as coal. • High poverty level that reduces affordability of cleaner energy alternatives. • Low technical skills and capacity to develop innovative low-carbon solutions locally. • Limited political will discernible through bureaucratic delays, ambiguous regulations, and weak institutions. • Low technical expertise to innovate. 	<ul style="list-style-type: none"> • Promote use of cheap solar panel and battery-powered energy solutions. • Adopt the use of low emission vehicles, cleaner fuels, public transport, and smaller fuel-efficient cars. • Legislate on the use of energy-efficient appliances and incentivize use of cleaner cooking technologies. • Fossil fuel dependent countries should question the ability of their current economic model to deliver a sustainable and prosperous future for the people.
	5. Support private sector development ³⁷ .	<ul style="list-style-type: none"> • Absence of a framework for private sector development and engagement. • Dominance of the public sector in national economic space. 	<ul style="list-style-type: none"> • Develop a private sector development strategy that includes framework for public-private partnerships. • Set up risk-sharing financing institutions in key high-risk sectors, particularly agriculture. • Encourage companies (SMEs and MSMEs) to restructure financial statements to make provision for a sinking /guarantee reserve fund in good times³⁸.

³⁶ This will help to lengthen the yield curve by issuing long-term securities and introduce new securities, and diversifying investor base.

³⁷ By introducing policies to remove risk from the private sector e.g. auctioning of contracts for renewable energy

³⁸ This sinking fund could be held in trust by Central Bank's and National Treasuries who may in turn provide matching contributions in annuity to companies as an incentive to invest in the fund. The Fund should become available to companies only in times of exogenous shocks such as the COVID-19 pandemic.

	National Policy Options	Implementation Challenges	Remedial Actions
LONG-TERM	6. Establish stabilisation and sinking funds to weather adverse exogenous shocks.	<ul style="list-style-type: none"> Limited fiscal space and revenue surplus that makes available resources barely enough for spending on essential services. Lack of transparency and accountability as well as corruption in the use of funds. Political pressure, especially from sub-national governments against establishment of such funds. 	<ul style="list-style-type: none"> Legislate compulsory fiscal savings. Establish and empower anti-corruption institution and strengthen CSOs to provide oversight function. Coordination between AUC (political) AfDB and ECA (economic) on pushing reforms in countries (industrialization). Introduce automatic stabilizers and changes in expenditures that are counter-cyclical and amenable to shocks. Build fiscal buffers during boom and create special funds to address specific shocks to improve fiscal space.
	7. Adopt semi-accrual accounting to stop budget overruns.	<ul style="list-style-type: none"> Non-familiarity with the process and accounting standards involved as well as valuation method to use. Non-availability of institutional structures for setting accounting standards. 	<ul style="list-style-type: none"> Invest in capacity development of critical staff in the Ministry of Finance, Planning and Economy to acquire requisite skills related to the budgeting system. Undertake IT-based solutions (e.g., logging in all contracts awarded by sector ministries into a database).
	8. Rethink enforcement of the Abuja Declaration on allocating 15% of annual budget towards improvement of the health sector.	<ul style="list-style-type: none"> Limited fiscal revenues co-existing with competing needs in other sectors. Low absorptive capacity in the domestic health sector with heavy reliance on imports. 	<ul style="list-style-type: none"> Gradual increase in fiscal allocation to the health sector. Given that healthcare is amenable to private investment--focus on financing and incentives as the missing links.
	9. Rethink the foreign exchange regimes in Africa ³⁹ .	<ul style="list-style-type: none"> The small nature of the economies which makes them price takers and highly dependent on imports limits exchange rate policy choices. Possible negative effects on macroeconomic management, particularly inflation and export competitiveness. Substantial balance of payments difficulties. Passthrough effect of flexible exchange rate to domestic prices in form of inflation and welfare loss to majority of the people. Strained fiscal and foreign reserve positions. 	<ul style="list-style-type: none"> Unify the multiple exchange rates windows. Adopt gradual transition by first exploring the conventional peg arrangement. Ensure coordinated implementation of exchange rate policy with other micro and macroeconomic policies, particularly monetary and fiscal.

³⁹ Is it time for adoption of appropriate exchange rate policy to support the real sector?

	National Policy Options	Implementation Challenges	Remedial Actions
LONG-TERM	10. Focus on sustainable development ⁴⁰ .	<ul style="list-style-type: none"> • Large number of people living in extreme poverty, and high level of income inequality. • Rapid population and urbanization growth rates. • Wide gaps in human development, data, governance and financing. • Limited economic diversification and transformation. • High level of corruption, infrastructure deficits and insecurity 	<ul style="list-style-type: none"> • Develop ambitious, action-oriented and collaborative, sustainable development strategy that is adapted to local peculiarities and level of development. • Deliberately and systemically change consumption and production patterns through structural transformation strategy. • Leverage the youthful population and the innovation they possess. • Adopt public-private partnerships for the provision of infrastructure and other sustainable development initiatives. • Strengthening and supporting Africa-led institutions and building capacity for inclusive and sustainable growth.
	11. Increase investments in infrastructure for long-term diversification of African economies.	<ul style="list-style-type: none"> • Inability to secure long-term financing required for infrastructure development. • Corruption among implementing institutions and contractors leading to high cost of infrastructure development. • Limited capacity for complex infrastructure development resulting in shortage of specific skills, expertise and experience. 	<ul style="list-style-type: none"> • Articulate a long-term infrastructure development strategy that incorporate the roles of all stakeholders that include public and private sectors, multilateral and bilateral partners, etc. • Maintenance needs to be accorded priority. • Domestication of continental infrastructure development initiatives like PIDA. • Prioritize objectivity over politics in the provision and location of infrastructure development projects.
	12. Rethink human capital deepening versus human capital widening.	<ul style="list-style-type: none"> • Temptation to prioritize quantity over quality. • Lack of national human development strategy and other related policy guides. 	<ul style="list-style-type: none"> • Forge and leverage local and global partnerships. • Promote strong governance, quality of service delivery, improved financing, and a holistic approach to human capital development. • Set ambitious but specific targets with clear timelines on human capital development indicators.
	13. Accelerate structural transformation of economies ⁴¹ .	<ul style="list-style-type: none"> • Weak industrial base. • Dominance of natural resource sector. • High level of informality. 	<ul style="list-style-type: none"> • Explore the growth poles strategy for developing growth nodes. • Explore SAPZs and SEZs for industrialization. • Modernize smallholder agriculture and integrate it into the agribusiness chains. • Articulate a national structural transformation strategy.

⁴⁰ There is need for a move from simple economic growth to thinking of the environment, putting human values at the centre stage, land degradation biodiversity, the need of dignified work, health etc. COVID-19 challenge not as big as the Climate Change challenge facing Africa.

⁴¹ This requires a move from consumption to productive economies, from services sector dominion to industrialization.

	National Policy Options	Implementation Challenges	Remedial Actions
LONG-TERM	14. Governments to increase funding for all types of research (scientific, economic, social) and specifically R&D development in their annual budgets ⁴² .	<ul style="list-style-type: none"> Limited financing space. Weak local absorptive capacity in activities and sectors that could spur uptake of the 4IR. 	<ul style="list-style-type: none"> Mandate private sector contributions to R&D fund. Provide attractive incentives for private sector institutions to undertake corporate social responsibility in R&D financing. Consider issuing Innovation Bonds that targets raising funds to finance specific scientific and R&D projects.
	15. Ensure institutional coordination ⁴³ .	<ul style="list-style-type: none"> Absence of a framework for coordination. 	<ul style="list-style-type: none"> Establish a coordinating institution or agency to provide oversight for inter-agency cooperation.
	16. Ensure responses are informed by different specialties crosscutting and holistic ⁴⁴ .	<ul style="list-style-type: none"> Lack of understanding on the nature, scope, magnitude and evolution of pandemics. 	<ul style="list-style-type: none"> Set up interdisciplinary response committee that focuses on prevention and containment, reopening the economies and building resilience.
	17. Establish sustainable regulatory institutions and ensure compliance with and respect for the rule of law.	<ul style="list-style-type: none"> Existence of inefficient regulatory and legal frameworks that lack efficiency and economy, clear role delineation, accountability, independence, proportionality, innovation, competition, public awareness, international conduct, transparency, investment protection, and fairness. Corruption and non-compliance. 	<ul style="list-style-type: none"> Assess existing institutional and legal framework with a view to identifying gaps and remedial action.
	18. Take action and talk less on Domestic Resource Mobilisation.	<ul style="list-style-type: none"> Limited fiscal space due to small size of economic activities and large informality. Focus of budget on expenditures with less emphasis on sources of revenues to finance the budget. 	<ul style="list-style-type: none"> Articulate a DRM Strategy with assigned roles and responsibilities to all stakeholders (national, sub-national, private sector, as well as national and multilateral development finance institutions) in the short-, medium-, and long-term. Start to take action on ad hoc changes in the tax structure and instruments that lead to instability of implementation and exploitation of changes through tax evasion and avoidance. Deepen innovative domestic resource mobilisation beyond taxation. Expand the tax base. Realign perverse subsidies (such as fuel subsidies), and reduce unproductive expenditures including remunerations to Public Executives and avoid double dipping as well as other moral hazards in public finance management. Streamline the size of government and civil service

⁴² This should be tailored towards supporting innovation and uptake of Fourth Industrial Revolution (4IR).

⁴³ This would be between government, universities, private sector, civil society and industries to fight the current and future exogenous shocks.

⁴⁴ Lack of understanding of pandemics can lead to myopic responses therefore incorporating epidemiologists can assist with short, medium to long-term planning for pandemics.

LONG-TERM	National Policy Options	Implementation Challenges	Remedial Actions
	19. Strengthen and support African institutions and build capacity for inclusive and sustainable growth.	<ul style="list-style-type: none"> • Same as 10 	<ul style="list-style-type: none"> • Same as 10
	20. Pursue global partnerships in fighting future common exogenous shocks.	<ul style="list-style-type: none"> • Weak local institutions. • Overwhelmed local health institutions. • Understandable need for countries to prioritize protection of their citizens and national assets over providing assistance to other countries. 	<ul style="list-style-type: none"> • Establish early warning system with the help of global health institutions through technical assistance and funding. • Prioritise partnerships with global institutions and act with speed and thoroughness.
	21. Seek debt cancellation for African countries.	<ul style="list-style-type: none"> • Disqualification of middle-income countries from debt cancellation. • Lack of moral justification to seek debt relief due to high level of corruption and waste of public funds. 	<ul style="list-style-type: none"> • There is need to change the narrative on middle income countries as this status has dried up their access to concessional funding • Ensure middle income countries will benefit from debt relief whenever it comes as in the current setting, they may not qualify due to stratification
	Regional Policy Options	Implementation Challenges	Remedial Actions
	1. Build resilience capacity – the readiness to manage exogenous shocks:	<ul style="list-style-type: none"> • Weak continental coordination. • Overwhelmed institutional capacities for managing political, economic, social and environmental challenges. 	<ul style="list-style-type: none"> • Strengthen continental early warning system, particularly through investment in these institutions. • Build fiscal and monetary buffers in times of boom
	(a) Adopt a common position on trade, debt, food security and climate change.	<ul style="list-style-type: none"> • Lack of consensus and convergence among African countries on basic macroeconomic variables and development issues. 	<ul style="list-style-type: none"> • Leverage continental institutions for political and financing support – AfDB, AfCFTA, AFREXIM Bank, etc.
	(b) Create a large scientific partnership between African universities and global research centers ⁴⁵ .	<ul style="list-style-type: none"> • Poor funding of Universities. • Weak network between African scientific institutions and their global counterparts. • Weak networking among regional African scientific institutions. 	<ul style="list-style-type: none"> • Finance more continental educational and research institutions like the African University of Science and Technology. • Provide special programs and incentives for brain circulation, targeting Africans in the Diaspora.
	(c) Rethink overall African development paradigm ⁴⁶ .	<ul style="list-style-type: none"> • Pressures from the global system, especially from countries, regions and institutions benefiting from the status quo. • Uncertainty regarding relevance of the neoclassical models of more liberalization to support economic growth. 	<ul style="list-style-type: none"> • Provoke a re-birth of pan-Africanism, national and continental liberation post-independence social contract. • Reinvent governance systems by empowering local communities to get involved as a co-producer and co-implementer of regional policy and solutions.
	(d) Think globally and act regionally to generate greater scale.	<ul style="list-style-type: none"> • Fear of inability to achieve self-sustenance and self-reliance. • Pressures from the global system, especially from countries, regions and institutions benefitting from the status quo. 	<ul style="list-style-type: none"> • Leverage regional trade for development through bigger markets rather than aid dependence.

⁴⁵ The aim will be to develop a global network of scientific research institutions, especially in medicine, industry and new technologies between Africa and the rest of the world.

⁴⁶ This includes recognizing the dangers of unchecked globalization, vulnerabilities to external shocks and need to construct more integrated regional economy.

	Regional Policy Options	Implementation Challenges	Remedial Actions
LONG-TERM	(e) Ramp up regional support for the Africa Centre for Disease Control (CDC).	<ul style="list-style-type: none"> Weak institutional capacity and poor funding. 	<ul style="list-style-type: none"> The AUC should champion continental support for Africa CDC by operationalizing the Framework of Collaboration between WHO and the Africa Union Commission for its establishment to provide emergency preparedness, response, and security in the overall context of health systems strengthening
	(f) Reduce dependence on global supply system	<ul style="list-style-type: none"> Immediate shortage of basic and essential commodities. A big jump in general price level, raising poverty, inequality and welfare loss. 	<ul style="list-style-type: none"> Explore the potentials of the “Trade corridors” or “green lanes”. Ensure proper implementation of the AfCFTA annexes on trade facilitation, customs cooperation, and transit.
	(g) Encouraging reorientation towards local production and consumption to reduce import bill.	<ul style="list-style-type: none"> Same as above 	<ul style="list-style-type: none"> Same as above
	(h) Create cross-border special economic zones (SEZs) ⁴⁷ .	<ul style="list-style-type: none"> Intra-African value-chain development suffers from bottlenecks that include lower logistics performance (cost, time and reliability), uncoordinated strategies for industrial development, and a misconception of “countries’ comparative advantage”. 	<ul style="list-style-type: none"> Develop a multi-national legal and regulatory framework to govern operations. Identify border areas where there is high potential for success.
	Global Policy Options: Multilateral and Bilateral Interventions	Implementation Challenges	Remedial Actions
	1. Reassessment of the neoliberal policies, globalization and free trade with a view to adjusting the current paradigm ⁴⁸ .	<ul style="list-style-type: none"> Same as (c) and (d) above 	<ul style="list-style-type: none"> Same as (c) and (d) above
	2. Provide advisory, technical and financing assistance to countries for key policy and institutional reforms required to deal with exogenous shocks.	<ul style="list-style-type: none"> Delay and significant lag in responding to the financing needs of countries. 	<ul style="list-style-type: none"> Create a permanent funding facility for exogenous shock containment, management and recovery instead of the current practice where emergency financing facilities are created whenever exogenous shocks occur. This could be in the form of contingency credit lines to countries. Articulate an African-focused Strategy for Building Resilience which incorporates an integrated framework for operational support to countries based on their individual needs and peculiarities. Create a continental risk-sharing institution.

⁴⁷ These should be capable of accelerating logistics and business service development for critical strategic regional value chains. These types of joint SEZs could help Africa to attract larger investments from the local private investors, while reducing unnecessary tax competition for foreign direct investment (FDI). It also has the high potential for building regional complementarities that are key to generating economies of scale amongst African countries, rather than a competitive zero-sum game.

⁴⁸ The AfCFTA could be used as a vehicle to achieve this in industrial, agricultural, R&D, mining, energy and food sectors.

	Global Policy Options: Multilateral and Bilateral Interventions	Implementation Challenges	Remedial Actions
LONG-TERM	3. Deliver specialized community supports.	<ul style="list-style-type: none"> • Identification and targeting. 	<ul style="list-style-type: none"> • Liaise with local authorities in the design and targeting of communities.
	4. Strengthen State capacity and support establishment of effective and resilient institutions.	<ul style="list-style-type: none"> • Weak institutional capacities at national and sub-national levels. • Resistance to change from politicians and other stakeholders that are benefiting from the status quo. 	<ul style="list-style-type: none"> • Adopt a handholding approach in the design and implementation of programs, project, and policy dialogue.
	5. Design programmes and projects to support countries through inclusive and equitable access to opportunities ⁴⁹ .	<ul style="list-style-type: none"> • Weak country level capacity for project development and implementation. 	<ul style="list-style-type: none"> • Provide special support in project development through specialized interventions like ALSF and other project preparation support systems.
NATIONAL			
LESSONS LEARNED	1. Fiscal Policy Design and Implementation		
	(a) High budget deficit as fiscal anchor is not helpful; balanced budget approach is preferred with low budget deficit as sole fiscal anchor and revenue, expenditure, borrowing and debt as secondary anchors. ⁵⁰		
	(b) Establishment of specialized funds: Sinking Fund could provide significant fiscal buffers for servicing debt obligations as they fall due; Stabilization Fund and Contingency Fund for budget support in times of shocks; Infrastructure Investment Fund to leverage private sector infrastructure financing; etc.		
	(c) Need to act fast, in a coordinated manner, with focus on using solid country-specific evidence and avoid one-size fits-all approach.		
	(d) Entrench prudent public financial management and adopt innovative domestic resource management strategies.		
	(e) Establishment of robust safety nets and social protection schemes must be prioritized.		
	2. Investment in health and research must be prioritized.		
	3. High dependence on global value chains could have significant drawbacks on national economic life.		
	4. Embrace the “new normal” to position the economies for the future which is already here. This would involve massive investment in IT infrastructure for teleworking which would significantly reduce travel costs as well as total cost of doing business. This will also involve thinking about jobs of the future in clean technologies.		
	5. Out of school children can be significantly reduced through online distance-learning if the right infrastructure exists.		
	6. Despair and resistance to public policy can be managed if policymakers could convince the people that the policies are in their best interest.		
	7. Partnerships, cooperation and coordination are indispensable for maintaining global order. Nations must take responsibility for global health, peace, and progress.		
	8. Investment in protecting the most vulnerable is a smart investment.		
	9. Know when to hold on and when to yield to international institutions.		
	10. National strategy for dealing with pandemics must incorporate associated challenges like gender-based violence.		
	11. Built-in flexibility and adaptability in national strategies for managing exogenous shocks is key for success.		
	12. Non-availability of basic human needs weakens resilience.		
	13. There is no one-size-fits-all exit strategy for either the pharmaceutical or non-pharmaceutical measures for prevention and containment of exogenous shocks..		

⁴⁹ These include employment, basic services and shared benefits from resource endowments of the countries.

⁵⁰ Using budget deficit as fiscal anchor could be predominantly consumption—with less savings and infrastructure or development budgets. At best, budget deficit should be a primary criterion while adopting secondary anchors for revenue, expenditure, arrears, borrowing, and debt.

LESSONS LEARNED

REGIONAL

14. Investment in health and research must be prioritized.
15. Position the continent for the future of work through resuscitating investment in continental IT infrastructure (e.g. PIDA) that would further ease doing business on the continent.
16. Continental approach to managing exogenous shocks is imperative.
17. Regional self-sufficiency and self-sustenance matters.

GLOBAL: MULTILATERAL AND BILATERAL

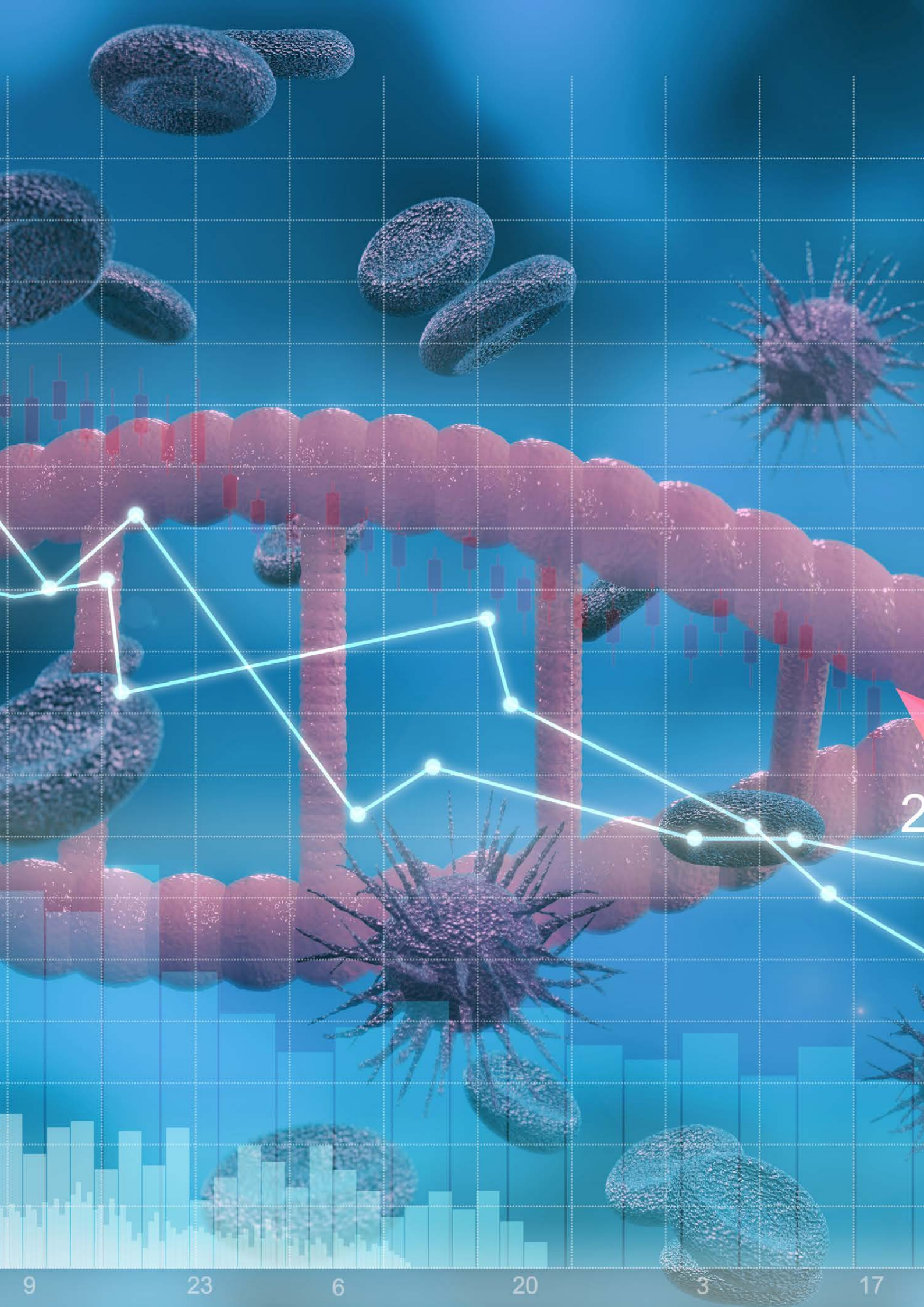
18. Investment in health and research must be prioritized.
19. Multilateralism is real and the world is a global village.
20. Coordination, partnership and speed of specialized support from multilateral and bilateral institutions is critical.
21. Crisis should be treated as crisis and response should be with dispatch and appropriate scale, not politicized.
22. Apply the response system used for COVID-19 to deal with other similar global challenges (e.g. climate change, financial crisis, HIV, cybercrime, etc.,) while simultaneously reducing risk in these areas
23. There is imperative for critical reform of development finance institutions to enable them respond swiftly to national emergency rescue requests.
24. Global cooperation and coordination architecture is fragile and needs retooling.
25. Multilateral organizations are vulnerable to being undermined by growing nationalistic protectionism and anti-globalization



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“Strengthening capacity for inclusive growth in Africa – without which
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Contact: adigcop@afdb.org