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ACCRA

APRIL 3, 2020

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Abstract

This paper attempts to examine the macroeconomic implications of the Corona Virus Disease 2019 (COVID-19) pandemic and discusses measures that could be employed to mitigate the adverse impact on the economies of the Member States of the West African Monetary Zone (WAMZ). The discussions also include the potential impact on the macroeconomic convergence process. The paper explores recent literature on COVID-19 and draws lessons from materials on the recent (2014) epidemic of the Ebola Virus Disease (EVD) in West Africa. The policy implications arising from this paper acknowledges the policy responses at global and national level in addressing the pandemic. However, the paper finds that the containment of the pandemic is beyond the capacity of any single country. Therefore, complementary measures from sub-regional, regional, continental and global bodies are important for maximum success. If COVID-19 is not addressed collectively, the global economy risk recession and perhaps in a worst-case scenario, a depression, with far reaching implications for the macroeconomic convergence process. A short-term, superficial recovery, which fails to address structural, infrastructural and human capital challenges, will only reset the countries on fragile foundations, to be disrupted by the next shock, often with devastating consequences to their societies and high risk to global security. Recovery must avoid this scenario and commit to build resilient systems.

1: Introduction

The spread of the COVID-19 health crisis from an epidemic to a pandemic in March 2020 has heightened interest of policymakers and academics across the globe on the economic fallout of the crisis. Since the outbreak of the virus in late 2019, the damaging economic effects are now visible not only in countries with high infection rates, but across countries through sudden disruptions to global economic activities. This outbreak has ushered unique disruptions to economic activities, through the high incidence of morbidity and mortality, and measures to contain the pandemic like travel restrictions, closure of schools and colleges, lockdowns and quarantines. The common view in the policy discourse is that such containment efforts have had unintended consequences of transmitting demand and supply shocks, which reduce economic activities in the short-term. The dampening effects on economic activities can potentially persist in the medium to long-term, especially in countries characterized by weaker health systems and response capacity.

Shocks to supply stem from the scourge of morbidity and mortality in affected countries and increases in the costs of doing business, triggered by the containment measures that cause restrictions in supply chains and tightening of credit standards (Georgieva, 2020). There are downside risks to output growth in the short-term, as most countries are experiencing significant reductions in capacity utilization following the enforcement of stringent containment measures for fear of widespread contagion. One of the countries most affected by the outbreak, China, is a key player in global supply chains, providing strategic intermediate goods such as electronics, automobiles, machinery and equipment across countries. China is also a major destination for primary commodity exports especially from oil and mineral rich African countries. The closure of ports in China due to the spread of the virus has led to widespread production shutdowns and supply chain disruptions (McKenzie, 2020), weakening demand for primary commodity exports. The accompanying disruptions to the supply of strategic goods and services and increases in the costs of businesses, associated with the implementation of stringent containment measures across countries, represent a negative productivity shock that acts as a drag on the economy (Gopinath, 2020). Equally, the dampening effects of supply shocks are amplified by demand shocks. The demand shocks are driven by heightened uncertainty about the eventual outcomes of the pandemic and the containment measures, precautionary spending behavior of consumers and investment of firms, increasing borrowing costs and tightening of financial conditions that ultimately depress consumer spending and reduce the scale of investment of private sector companies.

As countries increasingly take measures to contain the pandemic, economies are not insulated from the direct loss of GDP, reflected in the negative shock to consumption of goods and services induced by the various containment measures. The economic loss to an economy would be more severe if the direct loss is amplified by strong indirect effects, manifested through a significant reduction in employment as output falls, triggering further reductions in income and consumption (see Gali, 2020). The increasing uncertainty in the business environment and worsening consumer sentiment may lead to the tightening of financial conditions, as banks become increasingly reluctant to lend to mitigate the risk of default, reducing credit to households and businesses and increasing the borrowing costs that could amplify financial vulnerabilities (Gopinath, 2020). The increasing uncertainty about the global economy, reflected in the worsening of business sentiment and consumer confidence, is creating ripple effects on economic activities. Countries are already expressing turbulent stock markets in major economies, which has had a knock-on effect on commodity prices particularly crude oil prices and foreign direct investment globally. Investors are not responding to cuts in central banks' monetary policy rates and the injection of stimulus packages by some governments who have the financial muscle to do so, this is because of the heightened uncertainty in the business environment.

Most African countries depend heavily on the Chinese economy to shore up exports of raw materials and commodities and China is also a major source of imported manufactured goods and strategic industrial components. It follows that there are downside risks to short-term growth in most sub-Saharan African countries, especially those that export large amounts of commodities to China such as Ghana, Angola, Congo, Equatorial Guinea, Zambia, South Africa, Gabon and Nigeria (Mckenzie, 2020).As such, output growth in Africa is expected to decrease from 3.2 percent in 2019 to 1.8 percent in 2020 (UNECA, 2020).

There are noticeable differences in the sectoral contribution to GDP across Member States in the WAMZ, which suggests that the containment measures would affect economic activities in the short run differently. The tourism sector is a key driver of GDP in the Gambia, implying that the country would be affected more severely by shutdowns and travel restrictions. While countries like Ghana and Nigeria have enhanced domestic productive capacity, these countries would be substantially affected by weakening global commodity demand through petroleum exports. Similarly, Guinea, Liberia and Sierra Leone are exposed to vagaries in commodity prices since they are major exporters of minerals such as iron ore. Equally, Gambia, Liberia and Sierra Leone are vulnerable to supply shocks, as domestic productive capacity is limited, and they rely heavily on imported goods.

This paper is an attempt to complement the measures already taken by Member States to cushion the dampening economic effects of the pandemic, providing short-term policy responses, while encouraging policymakers to pursue coordinated policy responses, where appropriate, to preserve the gains already achieved towards regional integration. The next section provides potential macroeconomic impact of COVID-19, while section 3 summarizes the policy responses of Member States in the WAMZ to COVID-19. Section 4 provides zonal response, while section 5 concludes with some policy recommendations.

2: Potential Macroeconomic Impact of COVID-19

COVID-19 was officially pronounced as a pandemic by the World Health Organization (WHO). While the world contends with the coronavirus, its worldwide economic impact is intensifying. For example, The Organization for Economic Co-operation and Development (OECD) warned on 23 March that the shock from the virus is already larger than the global financial crisis. They predicted that the world would experience no growth or negative growth in many economies if not recession and may take longer time to recover and stabilize. Emphasizing on the same prediction, the United Nations trade agency, warned of a slowdown of global growth to under 2 percent this year, effectively wiping $1 trillion off the value of the world economy thus implying a looming recession across the globe arising from the economic fallout of the COVID-19 pandemic.

COVID-19 is impacting the global economy in several ways, including the following:

- the social distancing being observed across the globe and travel restrictions imposed by many countries have caused disruptions in global supply chains resulting in decline in value creation and delays in shipments of major goods (including food, pharmaceutical, and manufactured products);
- no in tourist arrivals, resulting from airport closures, cancellation of reservations, and global events;
- supply rigidities emanating from restriction across all transport modes have resulted in opportunistic price increases;
- decline in productivity and slowdown in investments is causing significant job losses thereby dampening economic activities and drop in projected GDP;
- unprecedented volatility and collapse of stock markets have already been recording all time low indices;
- tighter global financing conditions despite interventions through monetary policy to cut interest rates;
- decline in the international oil prices with substantial revenue losses to oil exporting countries; and.
- unanticipated increases in health expenditures and higher public debt.

The rapid worldwide spread of coronavirus and the economic implications of the outbreak would no doubt have contagion effect on the WAMZ countries thereby affecting the planned single currency project. It would also dwarf the progress made so far by the WAMZ countries in meeting the nominal convergence criteria. The predicted slowdown of global growth to under 2.0 percent this year would considerably shrink the Zone's output.

Because of the interconnectedness of the economies of the Member States of the WAMZ to the global economy, the WAMZ will be affected through various channels, especially through trade and investment. COVID-19 will have adverse impact on the socioeconomic development of the WAMZ. Real economic activities are projected to slowdown. Borders are closed, trade and the movement of people are curtailed, and productive activities suspended. Some multinational companies operating in the WAMZ have pulled out, many foreign workers repatriated, and production cut. Many air and shipping lines services have been put on hold, hotel occupancy rates fell, export receipts dwindling, and jobs are being lost while businesses are being folded.

Budget deficit

All the Member States of the WAMZ will likely register significant budget deficit, because of shortfalls in oil receipts; import duties; other tax receipts; increased health-related expenditures; and tight financing conditions.

Decline in transportation and related services

Transportation services have been among the worst hit due to social distancing, closure of schools, and ban on public gatherings. The global trend in the cancellation of flights, closure of borders (land, sea and air), and the need to maintain social distancing, including the ban on public gatherings, are having huge negative impacts on economic activities in the hospitality industry. Hotel occupancy rates have declined, and some hotels closed.

Drag on foreign direct investments (FDI)

FDI flows will slow down in 2020, due to uncertainties caused by the outbreak of COVID-19. Foreign investors are not able to arrive into the countries to transact business.

Timid trade and industrial activities

Trade volumes are dropping because of lower demand in global markets, especially trade with China, which constitutes the highest for many of the countries in the WAMZ. Reduced arrival of containers at the ports will result in the decline in import duties. Reductions in imported intermediate goods could significantly slowdown manufacturing activities. The insurance premium associated with travelling as well as the travel restriction could exert upward pressure on the cost of importing.

Low agriculture output

Disruptions could limit farmers' access to inputs, such as seeds, fertilizers and insecticides, uncertainty and fear could negatively impact planting decisions; and also, a reduction in the volume of main agricultural exports, as a result of the general downturn in global economic activity due to the pandemic. General shortage in food supply is anticipated if the pandemic persists. This could lead to food inflation, especially the imported food items

Decline in oil revenues

Since the outbreak of COVID-19, there have been a decline in the international price of crude oil as result of fall in demand (especially China). Crude oil prices have declined to US$22.9 per barrel as at 30th March 2020, from US$63.21 a barrel in November 2019. The sharp decline in crude oil prices will result in significant shortfalls in petroleum revenue for the year 2020.

Difficult financing conditions

The pandemic has led to tight financing conditions in the domestic financial markets. The slowdown in economic activities is likely to result in debt service difficulties (especially from the sectors that are hard hit such as aviation and hospitality) and containment measures such as social distancing may lead to reduced productivity and job losses. In some Member States, COVID 19 has caused capital flight as a result of related bearish emerging market sentiments and given the high proportion of local bonds held by non-resident investors. There are increasing demand for dollars which could impact negatively on foreign reserves.

Slow GDP growth

Slowdown in activities across various sectors of the economy is being experienced in all the Member States of the WAMZ. This will drag economic growth, considerably. The projected growth will further worsen in the event of protracted heath crisis.

Unemployment Increasing

Unemployment is increasing due to closure of some businesses, suspension of major public and private investments, retrenchment of staff especially in the hotel and hospitality industry, as well as migration of people to "safer" zones.

Non-performing loans increasing

Many of the loans especially those granted to small and medium enterprises may not be repaid due to the decline in economic activities underpinned by the pandemic. The financial positions of the savings and loans groups will be weakened and their ability to repay affected.

The response mechanism to the looming financial crisis owing to the pandemic from both the fiscal and monetary authorities across the globe is fiscal stimulus accompanied by expansionary monetary policy. On 20 March 2020 precisely, the UK announced radical fiscal spending measures to counter the economic impact of the worsening crisis. The government also agreed to pay up to 80% of the wages of employees across the UK that are unable to work due to closure or moderation of most businesses in an attempt to fight the spread of the corona virus. In early, March, 2020, the Danish government announced a stimulus to private companies struggling to manage the fallout from the pandemic by covering 75% of employees' salaries, if the companies oblige to keep their employees from job losses. In the same vein, the US Senate on 25 March approved an unprecedented $2 trillion stimulus plan, including direct payouts to millions of Americans.

From the monetary perspective, the US Federal Reserve on 15 March cut its key interest rate to near zero in order to combat the economic fallout of COVVID-19. Similarly, European Central Bank (ECB) also rolled out a €750 billion Pandemic Emergency Purchase Programme on 18 March 2020 that is expected to last until the end of the year. These fiscal responses from the advanced economies and key international donors would certainly shrink donor funds flowing to the under developed and emerging economies thus making them vulnerable to the economic fallout of the pandemic.

Almost all countries in the Zone took a cue from the proactive responses of some of the developed and emerging economies by taking the critical path of fiscal stimulus and expansionary monetary policy. In the WAMZ for example, Nigeria and Ghana have adjusted their policy rates to reflect the current reality as Nigeria's central bank directed development finance institutions and commercial banks in the country to grant moratorium to existing loan facilities. This was followed by a substantial injection of interventions funds from both the fiscal and monetary authorities. On the same note most countries have resorted to a lock down in order to flatten the curve of the disease, and would consequently require more resources to mitigate the economic recession that is very likely to arise as a result of the lockdown. However, most countries in the WAMZ don't have this fiscal space as evidenced by the struggle to meet the fiscal deficit criterion by most countries over the years.

What this means therefore is that countries will have to borrow externally or from their own central banks, by implementing quantitative easing (QE).Hence, the quantum of QE may require some member countries to resort to printing of currency thereby inducing inflationary spikes that would move countries way off the single digit inflation convergence criterion set by the ECOWAS Single Currency Programme.

Countries that are highly dependent on the combination of commodity exports, tourism, and remittances – for their foreign currency earnings are all expected to see a significant drop in government Forex earnings and tax revenues, hence the shortage of foreign currencies, particularly the US$ dollar which is the most traded foreign currency in most of the WAMZ currencies. This will impact the value of domestic currencies as demand pressures mount especially to import essential goods and services (Inflationary pressures and food shortages are very likely to follow).

The two strongest economies in the zone (Nigeria and Ghana) are highly dependent on oil revenue. However, due to global lock down and travel bans, (coupled with drastic cut in energy demand from China - the world's largest oil importer) have seen oil prices dipping below $30 a barrel. This has warranted a review of the 2020 annual budget which was based on the optimistic forecast of above $50per barrel to a realistic value of below $30 a barrel thereby widening their respective fiscal deficit.

Owing to the growing sense of uncertainty and panic, foreign investment funds are fleeing the developing countries to the safety of US and other rich-country government-issued assets. This has considerably reduced developing countries access to international finance thus creating huge funding gaps and exerting undue pressure on their domestic currencies and wider exchange rate variations.

It has been recently observed that the domestic currencies of many of the member countries have depreciated against the dollar. Perhaps, largely due to the anticipated weaker export returns linked to a stronger US dollar, and the anticipated rise in commodity prices as the global economy slows down making the zone vulnerable.

Looking beyond the deaths and human suffering created by the pandemic, markets around the world are radically cutting interest rates and repricing corporate credit risk. For example, as part of measures to contain the impact of Covid-19, the Central Bank of Nigeria (CBN) have cut interest rates and granted a moratorium of one year on all principal repayments of its intervention funds effective March 31, 2020. The bank also granted Deposit Money Banks leave to consider temporary and time-limited restructuring of the tenor and loan terms for households and businesses most affected by the outbreak of Covid-19 particularly, businesses operating in the oil and gas, agriculture and manufacturing sectors.

Following the CBN directive, many of the banks in Nigeria have expanded digital lending portfolio, which gives Nigerians quick and 24/7 access to funds for emergencies without any collateral. These policy may expand or stagnate the ratio of public debt in Nigeria and extend to the Zone if other member countries choose to adopt the same strategy.

3: Policy Responses to Mitigate COVID-19

3.1 Global Response

The containment of the pandemic is beyond the capacity of a single country. Complementary actions from sub-regional, regional, continental and global bodies are important for maximum success. If COVID-19 is not addressed collectively, the global economy risk recession and perhaps in a worst-case scenario, a depression.

The global policy responses to the pandemic has been spontaneous. Central Banks across the world have reduced interest rates and lowered required reserve ratios, making more funds available to both private and public sectors, whilst Ministries of Finance are providing fiscal rescue packages to mitigate the adverse impact of COVID-19.

Multilateral financial institutions are also providing support through rapid disbursement instruments. The World Bank for example, on 3rd March 2020, launched a US$12 billion Fast Track Facility to support low income countries' preparedness and for the strengthening of health systems and emergency response capacity to the COVID-19 in low income countries. This amount has since been increased to US$14 billion.

The IMF also announced on 4th March 2020, a US$50billion support to help address the pandemic. About US$10 billion of this amount is to be accessed by low income countries through the Rapid Credit Facility.

As at the 25th March 2020, the number of confirmed cases of COVID-19 in the WAMZ was 123, most of which were imported and there is a growing fear that the numbers could rise and spread horizontally from within local communities. Leadership of the Zone sprung to action and took a raft of firm precision steps that includes social distancing, closure of ports of entry, freezing of prices to prevent gouging and hoarding, and partial quarantine of some epicenters. Unintendedly, some of these reactionary measures would undermine economic growth, stress the welfare state and put a toll on lives and livelihoods. To dampen these effects, governments around the Zone simultaneously triggered localized macroeconomic policy responses that include fiscal, monetary financial and payment systems. This section summarizes each Member States policy responses invoked in the wake of the COVID-19 crisis.

3.2 National Responses

THE GAMBIA

Fiscal

The Gambia is seeking grant funding of US$9 million in view of its debt situation. The authorities are prioritizing current budget spending by reallocating 500 million dalasi (0.6 percent of GDP) to support the ministry of health and other allied institutions.

Monetary and Macro-financial

The central bank in the face of the pandemic pursued an expansionary monetary policy stance and reduced the policy rate by 50 basis points at end-February 2020 to 12 percent to signal the policy direction to DMB's. It further hiked the standing deposit facility of banks to 3 percent from 2.5 percent. It is also closely monitoring developments in the in the domestic financial sector and firmed-up measures to provide emergency liquidity support, whilst efforts are also intensified at the regulatory and supervisory front to ensure safety and soundness.

GHANA

Fiscal

Ghana applied to tap US$100 million of the IMFs US$50 billion Rapid Credit Facility set aside for access by emerging and low-income countries in the fight against COVID-19. The authorities earmarked this fund for the expansion of infrastructure, purchase of materials and equipment, and public education.

Monetary and Macro-financial

The central bank authorities of Ghana responded appropriately by cutting the policy rate by 150 basis points on 18th March 2020. They also reduced the cash reserve ratio requirement from 10 to 8 percent and the capital conservation buffer from 3 to 1.5 percent. To further enhance the provision of credit and limit the impact of defaulting loans on the books of banks, the provision and classification requirements for some categories of loans were reviewed i.e. Other Loans Especially Mentioned. On payments systems, the cost of e-money payments (mobile money wallets) were also lowered.

GUINEA

Fiscal

Prepared a National Emergency Preparedness and Response Plan for a COVID-10 outbreak with special surveillance on ports of entry, reinforcing the capacity for detection, public campaigns and the provision of the necessary medicaments and logistics.

LIBERIA

Fiscal

Liberia activated a preparedness plan with support from the donor community to support health care workers, purchase and rehabilitation of health care equipment, procurement of drugs and other medical supplies, deployment of critical staff to carry out contact tracing activities, border areas, rapid response teams, and a host of other commendable actions. The World Bank approved US$1.5 million of financing for the exercise.

NIGERIA

Fiscal

Nigeria released contingency funds of N984 million ($2.7 million), released to Nigeria's Center for Disease Control, and an additional N6.5 billion ($18 million) is planned. The federal government is also reviewing the 2020 budget given the sharp drop in oil prices/revenues and may cut-back on non-essential spending by N1.5 trillion (about 1 percent of GDP). Further the authorities fashioned-out a fiscal stimulus package for businesses in areas such as tax reliefs, retention and recruitment of new staff as well as the waiving of import duties for pharmaceutical companies. To ease the burden, the prices of refined regulated oil prices were reduced.

Monetary and Macro-financial

The central bank authorities left the monetary policy rate unchanged at 13.5 percent in March. They however, activated other policy measures including:

A year moratorium on CBN intervened loans with a cutback on interest rates from 9 percent to 5 percent. Created a N50 billion ($139 million) targeted credit facility, liquidity injection of N3.6 trillion (2.4 percent of GDP) into the banking system.

N100 billion to support the health sector, N2 trillion to the manufacturing sector, and N1.5 trillion to the real sector to impacted industries.

Regulatory flexibility in the case of exposures to impacted sectors.

Exchange rate

Exchange rate is adjusted by 15 percent with plans in place towards unification under the investors and exporters (I &E) window, Bureau de Change, and retail and wholesale windows. The I& E window is often at variance with others, current actions are to put it in line with others and conform to the dynamics of market forces.

SIERRA LEONE

Monetary and Macro-financial

The Monetary Policy Committee (MPC) on 18th March 2020 decided to:

reduce the monetary policy rate (mostly signaling) by 150 bps from 16.5 percent to 15 percent, effective March 19, 2020;

create a special credit facility (Le 500 billion) to support production, procurement and distribution of essential goods (modalities discussed with bankers' association on March 20 but not yet announced); and

extend the reserve requirement maintenance period from 14 to 28 days to ease tight liquidity.

Exchange rate

The authorities also announced their intention to provide FX resources to ensure the importation of essential goods. The exchange rate has been allowed to adjust.

4: Proposed Zonal Response

In an attempt to contain the impact of COVID-19 and build resilience, the major economic blocks are engaging in fiscal stimulus and their central banks implementing quantitative easing. With more than 395,000 confirmed cases of COVID-19, businesses across the globe are struggling with lost revenue and disrupted supply chains as factory shutdowns and quarantine measures spread across the world, restricting movements and business activity. There is strong motivation for emerging economies, particularly, the WAMZ countries to develop a series of dedicated policy responses and institutional reforms to prevent a localized health scare and looming economic downturn. The two feasible means of building economic resilience in the Zone could be through spontaneous and strategic approaches. The immediate challenge facing the WAMZ is to contain the spread of the virus using effective hygiene, sanitation and healthcare facilities, besides the need to cope with the effect of supply chain constraints arising from global lockdown and closures of economic activities.

The instantaneous responses from the member countries is commendable. For example, Nigeria and Ghana reacted with fiscal intervention with special intervention funds to curb the menace of the virus. This was accompanied by an appeal to corporate bodies and wealthy individuals within and outside their jurisdictions to assist the government in achieving these objectives. In response to the clarion call, huge sums of monies and medical equipment and facilities running into several millions of dollars were donated by individuals, and corporate organizations across the various sectors of the economy in many of the member countries.

Another immediate measure to be considered is to spur the pharmaceutical sector in the WAMZ to produce some of the basic drugs for first aid and treatment of common symptom of the disease. This is against the obvious fears of drug shortages as India, the largest supplier of generic drugs for countries such as the U.S and other parts of the world have imposed lockdowns thereby causing significant disruption to global production of pharmaceutical drugs.

To mitigate the glaring revenue collapses and external financing problems arising from the COVID-19 pandemic, deliberate austerity and prudent measures to building long term economic resilience in the WAMZ are needed. This could be largely achieved by matching spending to income, and prudent management of foreign exchange resources. Hence the need for drastic moderation in the acquisition and consumption of foreign commodities that can be produced locally. For example, to put this into practice, Nigeria has cut down international spending limit to $500 dollars a month using the Naira MasterCard in order to smoothen the adjustment process. Other countries can emulate this measure as much as possible. This can also foster more Intra trade among member countries, using their currencies, where by countries in excess of certain commodities especially food items can export to countries in deficit.

The long-term strategy for economic resilience in the Zone could also be achieved through the determined effort of individual member countries to diversify their respective economies and develop other sectors especially agriculture to achieve food sufficiency. (COVID 19 an opportunity for Ghana to self-provide, Nana Akufo Addo, President of the Republic of Ghana, the Guardian, March 2020). This statement could go for all countries in the zone. Besides, looking inward for import substitution of basic necessities at the backdrop of the predicted economic slump for China, the world's second-largest economy. The anticipated slowdown in China is expected to trigger shortage of products and parts leading to interruptions in the supply-chain.

This would in turn, affect the economies of its leading trading partners including the WAMZ. Therefore, a proactive response to this imminent danger is to boast local production in the Zone and improve inter-trade among member countries under the doctrine of comparative advantage and specialization to help in building both short and long-term economic resilience in the Zone.

5: Conclusions and Recommendations

The foregoing discussion suggests that the short-term depressing effects of the containment measures on economic activities are inevitable. Therefore, there is need for Member States to proactively respond to the outbreak to cushion the dampening economic effects and avert potential spillover effects in the medium to long-term. Complementing the policies already pursued by Member States, WAMI hereby proffers additional measures to targeted sectors, where appropriate, to mitigate the drag on short-term growth of economies in the Zone.

i. The fiscal authorities should consider the policy of deferment of tax obligations to temporarily support sectors severely hit by the containment measures, such as tourism, including the aviation industry and businesses in hospitality such as hotels and restaurants for an appropriate period. While this policy would impose budgetary pressures in some economies, the goal is to avert huge job losses that would in turn reduce consumer spending, through reductions in income and increases in precautionary savings, which will ultimately dampen short-term growth.

ii. Where feasible, the fiscal authorities should provide temporary VAT exemptions for small businesses to lessen the effects of the containment measures on cash flows; provide targeted cash transfers to vulnerable individuals and households and tax relief to affected individuals.

iii. Central banks should provide temporary credit facility to targeted small and medium enterprises to support domestic productive capacity, through commercial banks/Apex banks at modest interest rates. These institutions should be incentivized to administer this special lending facility and terms of the credit facility should be carefully defined to prevent abuse.

iv. Supervisors of central banks should regularly assess the liquidity and loan portfolio of systemically important commercial banks, whose clients are particularly exposed to sectors mostly affected by the containment measures, such as commerce, tourism and commodity exporting firms. Supervisors can work closely with financial institutions for temporary extensions of loan maturities to avert default on loan repayments, which, otherwise would increase the volume of non-performing loans and erode their capital base.

v. Central banks should develop contingency plans to provide liquidity into the banking system, especially to financial institutions that are heavily exposed to sectors mostly hit by the crisis.

vi. Central banks should facilitate the finalization and adoption of bilateral swap arrangements to facilitate cross-border transactions and encourage commercial banks to facilitate transactions within the Zone in the national currencies to reduce foreign exchange pressures.

vii. Given the strong cross-border economic linkages between WAMZ countries, governments should establish well-coordinated Inter-States trade corridors to facilitate the importation/exporting of essential commodities and cushion the effects of the containment measures in these economies.

viii. The Zone should seize this opportunity and use the resources allocated to the COVID 19 Pandemic to improve upon the facilities in the health Sectors.

ix. Deliberate efforts should be taken by governments to revive and sustain their agricultural Sectors in other to be at least food self-sufficient.

Acknowledgement

The West African Monetary Institute wishes to acknowledge the Director General of WAMI Dr. (Mrs.) Ngozi E. Egbuna, for her initiative, guidance and invaluable contributions to this paper.

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