ASSOCIATION DES BANQUES CENTRALES AFRICAINES ASSOCIATION OF AFRICAN CENTRAL BANKS

VIRTUAL BUREAU MEETING OF THE ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

Organized by the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)

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REPORT OF THE 2021 SYMPOSIUM OF GOVERNORS ON THE THEME: «AFRICAN ECONOMIES AND THE COVID-19 PANDEMIC: CRISIS MANAGEMENT AND POLICIES FOR THE ECONOMIC RECOVERY»

(Hosted virtually by the Banque Centrale du Congo, August 19, 2021)

ACRONYMS

AACB: Association of African Central Banks

ACs: Advanced Countries

ACB: African Central Bank

ACDCP: African Centres for Disease Control and Prevention

AfCFTA: African Continental Free Trade Area

AfDB: African Development Bank

AMCP: African Monetary Cooperation Programme

AMI: African Monetary Institute

ASEA: African Securities Exchanges Association

AU: African Union

AUC: African Union Commission

BCEAO: Banque Centrale des Etats de l'Afrique de l'Ouest

CBE: Central Bank of Egypt

DRC: Democratic Republic of Congo

ECB: European Central Bank

ECOWAS: Economic Community of West African States

EEs: Emerging Economies

GDP: Gross Domestic Product

HIPC: Heavily Indebted Poor Countries

IMF: International Monetary Fund

MDGs: Millennium Development Goals

MDRI: Multilateral Debt Relief Initiative

PPP: Public-Private Partnership

REC: Regional Economic Community

SSA: Sub-Saharan Africa

SDGs: Sustainable Development Goals

STC: Specialized Technical Committee

EXECUTIVE SUMMARY

1. The COVID-19 crisis was a global disaster that affected both advanced, emerging and developing countries. Countries' Emergency measures to reduce the rapid spread of the virus and contamination, including the closure of land, air and sea borders and containment, have negatively impacted the Sub-Saharan Africa's (SSA) growth. Indeed, activity contracted by 1.9% in 2020, the worst performance on record. Nevertheless, the International Monetary Fund (IMF) estimates that real GDP will grow by 3.4% in 2021 in the wake of the global recovery that stimulus packages in industrialized countries have triggered.

2. In response to the negative effects of COVID-19, advanced economies adopted supportive policies, including a large-scale fiscal stimulus coupled with accommodative monetary policies. However, these measures could not be implemented in Africa as the continent has limited fiscal space. In advanced countries, central banks adopted exceptional measures such as quantitative easing with government assets' purchases to further loosen monetary policies. In emerging markets and developing economies, central banks cut key policy rates to inject liquidity for the benefit of economic agents, temporarily relaxed prudential rules and promoted digital payments.

3. However, the region's economic recovery is associated with uncertainty and risk factors, essentially the persistence of the COVID-19 pandemic, materialized by the different waves of infection. Indeed, many countries have been facing a third wave since June-July 2021. Therefore, the challenges for Africa include limited access to vaccines, availability of external funding and lack of capacity to build more resilient economies. IMF statistics highlighted regional and country-level vaccine inequality. In fact, in advanced countries (ACs) and emerging economies (EEs) outside Sub-Saharan Africa (SSA), the vaccination rate is 50% and 25%, respectively, compared to only 1% in Africa. Vaccinating 60% of the adult population in SSA to achieve herd immunity was estimated at USD 10 billion.

4. In order to address the impacts of the crisis and enter the post-COVID-19 period, the continent needs massive investments to tackle the poverty that has increased with the pandemic (450 million persons living on less than USD 1.90/day), to meet social and health needs, and to return to pre-crisis levels of per capita income, which are expected to be reached from 2024 in many countries. In this regard, the IMF estimates Africa's additional financing needs at USD 245 billion over 2021-2025. In addition, the general allocation of new special drawing rights (USD 650 billion, including USD 23 billion to Africa) announced at the Paris Summit in May 2021 could provide additional resources, even if they are insufficient.

5. Concerning priorities for overcoming structural constraints, it was recommended that public finance and investment management be improved, considering climate change. In addition, emphasis should be placed on increasing domestic revenues, promoting private investment and Public-Private Partnerships (PPPs) to ease the financial constraints of States by continuing to improve the business environment and adopting measures to reduce investors' perception of risk. Furthermore, the mobilization of external financing is crucial to promote economic recovery, given the scope of the COVID-19 crisis.

1. INTRODUCTION

1.1. The Banque Centrale du Congo (BCC) virtually organized the Association of African Central Banks (AACB) Governors' Symposium on August 19, 2021, on the theme "African Economies and the COVID-19 Pandemic: Crisis Management and Policies for the Economic Recovery", as a prelude to the 43rd Ordinary Meeting of the Assembly of Governors, held on August 20, 2021. Two hundred and thirty (230) participants, including Governors and senior officials of Central Banks, as well as senior officials of partner institutions, regional and international organizations, participated in the Symposium to exchange views, among others, on the management by African economies of the COVID-19 health crisis and the economic recovery policies implemented. Resource persons (Governors, Speakers, etc.) presented papers, and discussions followed. This report presents a summary of the proceedings.

2. OPENING CEREMONY

2.1. The opening ceremony was marked by four speeches that were delivered respectively by Mrs. MALANGU KABEDI MBUYI, Vice-Chairperson of the AACB, Honourable Governor of the Banque Centrale du Congo (BCC), His Excellency Ambassador Albert Muchanga, Commissioner in charge of the Department of Economic Development, Trade, Industry and Mining at the African Union Commission (AUC), Honourable John Rwangombwa, Chairperson of the AACB and Governor of the National Bank of Rwanda (NBR), and His Excellency Mr. Jean-Michel Sama Lukonde Kyenge, Prime Minister of the Democratic Republic of Congo (DRC), representing the President of the Republic, His Excellency Mr. Félix-Antoine Tshisekedi Tshilombo.

2.2. Mrs. MALANGU KABEDI MBUYI first expressed her gratitude to His Excellency, the Prime Minister of the DRC, Head of Government, who accepted to be the main host of this event, despite his busy schedule. After thanking the participants, speakers and experts for their active participation in the AACB annual meetings organized virtually for reasons related to the COVID-19 pandemic, Honourable Governor of the BCC indicated that despite the current situation, these meetings constitute an ideal framework for exchanging views on relevant issues facing the global and regional economy and the continent in particular.

2.3. In conclusion, Honourable Governor of the BCC stated that the exchange of experiences and discussions would allow identifying the relevant lines of actions and reforms that will serve as a basis, both at the continental and national levels, to stabilize the African economies during the COVID-19 pandemic. She also emphasized the need to deepen the reflections on this theme to find adequate orientations that would sufficiently inform the decision making of public authorities. Finally, she stressed that the resulting exchanges, given the speakers' quality, will help alleviate the crisis and support the post-COVID-19 economic recovery.

2.4. For technical reasons, the Commissioner in charge of the Department of Economic Development, Trade, Industry and Mining at the AUC could not deliver his speech. However, he transmitted it to the AACB Secretariat. In his remarks, His Excellency Mr. Muchanga, on behalf of the President of his Institution, His Excellency Mr. Moussa Faki Mahamat, extended his warm greetings to the participants of the Symposium and wished them fruitful deliberations. His Excellency Mr. Muchanga observed that the strict and restrictive containment measures taken by African Governments as a first response to the COVID-19 pandemic had greatly contributed to the contraction of economic activity, production and investment, leading to a decline in business revenues and a rise in unemployment. After acknowledging the efforts made by individual countries, the AUC Commissioner argued that Africa's economic recovery would be long and difficult. He underlined the crucial role of African central banks in promoting monetary stability by accumulating foreign exchange reserves and financial deepening as necessary measures to reduce risks and enhance business confidence in the African market.

2.5. In his closing remarks, he wished that the discussions at this Symposium would lead to proposals for measures that would provide sustainable solutions to the challenges facing African economies during the current COVID-19 pandemic.

2.6. Honourable John Rwangombwa, Chairperson of the AACB, said that it was a great honour and privilege to welcome the participants to this meeting on behalf of the Association. He acknowledged, in particular, the presence of the Prime Minister of the DRC at the Symposium. He thanked the speakers, panellists and moderators of the various sessions who agreed to be the prominent resource persons for the Symposium. He also congratulated the BCC and the AACB Secretariat for the successful joint organization of this event.

2.7. After highlighting the impact of the COVID-19 pandemic on African economies, which in 2020 suffered the first recession in the last 25 years in 2020, the Governor of the National Bank of Rwanda noted that the pandemic provided an opportunity to further accelerate the digital transformation of the financial services sector, through the use of electronic payments to improve the speed, convenience and affordability of financial transactions. Given the positive impact of digital financial services on financial inclusion and the speed of financial transactions, he recommended continuous improvement of digital financial services.

2.8. The Chairperson of the AACB concluded his remarks by emphasizing the need for deeper and broader collaboration among economic policymakers in Africa. He also called on countries to work together, and in an accelerated manner, to find appropriate solutions to the current situation.

2.9. His Excellency Mr. Jean-Michel Sama Lukonde Kyenge, Prime Minister of the DRC, expressed, on behalf of His Excellency Mr. Félix-Antoine Tshisekedi Tshilombo, President of the Democratic Republic of Congo and President of the African Union, his appreciation for being invited to this Symposium. He also appreciated the massive participation and involvement of each central bank, despite the current context that restricts people's movement given the need to protect the population's health. He also welcomed the representatives of the African Union and international, regional and sub-regional institutions.

2.10. The Prime Minister indicated that the three topics of the plenary sessions planned within the framework of the Symposium are relevant. Indeed, he hoped that by addressing the implementation of monetary policy in a post-COVID-19 context, the discussions would highlight the instruments and challenges involved in guaranteeing price stability, the importance of which is clear for any economy. Furthermore, he noted that the expected discussions on Post-COVID-19 Economic Recovery under the constraint of limited fiscal space would suggest paths to be explored by our governments. Moreover, he hoped that sharing experiences would make the studies carried out by the experts more realistic.

2.11. He encouraged the Governors of African Central Banks to reflect on these issues that the Heads of State and Government have entrusted this difficult mission. He invited them to fully engage in this noble exercise to meet this great challenge and achieve the objective of this Symposium, thanks to the skills available in each central bank of the continent.

3. <u>FIRST SESSION</u>

3.1. <u>Introduction</u>

3.1.1. This session was chaired by Mr. Tarek Amer, Governor of the Central Bank of Egypt (CBE), on the theme "*Monetary Policy Implementation in a Post-COVID-19: Instruments and Challenges*" presented by Mr. Lesetja Kganyago, Governor of the South African Reserve Bank (SARB). The panel was composed of Professor Marouane El Abassi, Governor of the Banque Centrale de Tunisie (BCT), Dr. Bernard Kibesse, Deputy Governor, Bank of Tanzania (BoT) and Dr. Kingsley Obiora, Deputy Governor, Central Bank of Nigeria (CBN).

3.2. Summary of the presentation

3.2.1. Emergency support measures for the COVID-19 crisis were the priority of all central banks. Central bankers and policymakers will still face uncertainty exacerbated by the COVID-19 pandemic and its impact on economies, as well as demands for monetary and financial stability policy interventions. The main challenge is that the general public expects clarity on complex and unpredictable issues, such as implementing monetary policy in a post-COVID-19 environment.

3.2.2. The Authorities should not limit the response to current challenges, though severe, but look ahead and plan for the post-pandemic period. Therefore, they will need to balance the short-term needs of the fight against the pandemic and its negative socio-economic consequences with the long-term constraints and challenges.

3.2.3. Furthermore, the economic characteristics of the COVID-19 crisis differ from those of previous crises, as it is a combination of demand and supply constraints. Pandemic containment measures, uncertainty, precautionary behaviour of consumers and investors created disruptions on the supply and demand sides. In implementing monetary policy in the post-COVID-19 era, it will be necessary to consider these factors (increased demand, supply disruptions, etc.) and avoid fiscal dominance, which may jeopardize central bank independence.

3.2.4. Central banks adopted exceptional measures such as quantitative easing with the purchase of government assets to further ease monetary policies and inject liquidity for the benefit of economic agents. They may limit the scope for manoeuvre for monetary policy when tightening is needed and favoured fiscal dominance resulting in an increasing dependence of monetary policy on fiscal policy, which can hamper the independence of central banks. They could also make monetary authorities tolerant of higher inflation.

3.2.5. In terms of perspective, four key factors of disparity in growth and economic recovery projections were identified. The first is related to differences in vaccination rates because there are wide disparities in vaccination coverage, closely linked to national income levels. The slow pace of vaccination in developing countries and African countries impedes recovery while exacerbating the global risk of virus mutation.

3.2.6. The second driver of differentiated recovery is the degree of integration of each country into international value chains. Countries more integrated into global value chains are likely to benefit from the recovery in demand in advanced economies. The third factor relates to monetary action (accommodative policies), which could be constrained by inflation in several countries. The final factor is related to the vulnerability of the private sector in each country, linked to the corporate debt burdens in emerging markets and developing economies.

3.2.7. The implementation of monetary policy post-COVID-19 indicated that central banks would face three issues that may be difficult to resolve: the potential return of inflationary pressures, fiscal dominance and risks to financial stability. In this regard, the following eight points regarding the post-COVID-19 pandemic period were highlighted:

- The COVID-19 pandemic fostered the emergence of new uncertainties (increase in non-performing loans, existence of bubbles) that could have a systemic impact on financial stability;
- The Supervisory Authorities will have to ensure that credit institutions are enabled to provide facilities to economic agents (companies and households) by adopting flexibility in the implementation of prudential rules (provisioning of non-performing loans, among others);

- Ambitious stimulus packages may increase demand, induce an upward trend in prices and assets, and foster a deterioration in the fiscal deficits. Furthermore, the structural disruptions generated by the pandemic could lead to mismatches in the allocation of resources across sectors of the economy;
- The post-COVID-19 execution by central banks of their traditional mandate to fight inflation could lead them to slow down or stop quantitative easing (reduction of their balance sheets) and start raising key rates. This change of orientation may increase government debt servicing (higher interest rates), worsen fiscal balances and jeopardize the financial solvency of governments and the financial stability of the banking sector;
- Measures to support governments (purchases of government securities, monetization of deficits) tend to create a *de facto* dependence of monetary policy on fiscal policy. Indeed, Institutes of emission buy government bonds, given their low risk and liquidity. This situation is likely to compromise the independence of central banks and dissuade the government from adopting fiscal discipline;
- Stimulus measures, including refinancing of government securities by central banks, should be limited in time. They should be accompanied by "sunset clauses" when economic indicators are favourable, they should be ended gradually;
- After the COVID-19 crisis, fiscal policy will have a fundamental role (economic recovery), and monetary action will support it. However, monetary policy should not be the solution to solve structural problems of the economy (bankruptcy, imbalance and dysfunction in the allocation of resources, etc.);
- The role of monetary policy will have to be linked to macro and micro-prudential measures to preserve financial stability. Indeed, monetary stability became a component of financial stability. The mandate of monetary policy should also include macro-financial stability and the mandate to ensure price stability.

3.2.8. In conclusion, it was reiterated that the post-COVID-19 recovery of each economy would depend on its characteristics and the particularities of its policy responses. Success will reflect a combination of measures and capacities specific to each country, including national vaccination rates, integration into major economic blocs, providing fiscal and monetary stimulus, and restoring private sector solvency.

3.3. Summary of panel discussions

3.3.1. The panel discussions were led by three Central Banks (Tunisia, Tanzania and Nigeria). In responding to the pandemic, they reduced policy rates, relaxed regulatory requirements, rescheduled loans and introduced debt moratoriums.

3.3.2. In 2020, with the emergence of COVID-19, the priority of Tunisian Authorities was to preserve lives. The closure of borders and containment have negatively impacted economic activity in the formal and informal sectors. This resulted in a contraction of GDP by more than 8%, the worst performance since 1960. In addition, by statutory law, the Banque Centrale de Tunisie (BCT) cannot directly finance the state budget. It had to obtain the approval of parliamentarians, within the framework of the 2020 Supplementary Finance Law, to grant financing to the Government.

3.3.3. Regarding the exit from the crisis, the low vaccination rate in Africa was noted due to unequal access to vaccines. It was stated that Africa is not provided with concessional financing, it will face difficulties. In order to revive the productive system, there is need to finance the top of companies' balance sheets, through restructuring and turnaround funds, under the leadership of the private sector.

3.3.4. In Tanzania, the pandemic impacted the country's performance. Indeed, growth declined to 4.8% in 2020 from 7% in 2019 and is estimated at 5.6% in 2021. Therefore, to cushion the shocks, the Bank of Tanzania adopted measures to ensure adequate liquidity in the economy, prevent instability in the banking sector and promote digital transactions. In addition, a special loan was set up (TZS 1,000 billion or USD 50 million) for banks and other financial institutions at an interest rate of 3% per year for retrocession to the private sector at an interest rate not exceeding 10% per year.

3.3.5. The fiscal authority supported the affected sectors (health, tourism, etc.) by obtaining debt relief from the IMF under the Disaster Prevention and Relief Trust Fund (DPRT) (USD 5.5 million). In addition, the government also received additional debt relief (USD 102.7 million) from other multinational creditors and international institutions under the G20 Debt Service Suspension Initiative (DSSI). The savings from the debt service rescheduling were used to increase spending on priority social sectors, including health, education and water.

3.3.6. Concerning Nigeria, it was noted that the country was facing three challenges, the COVID-19 crisis, the 60% drop in the price of a barrel of crude oil and the outflow of capital to emerging markets (about USD 20 billion from bond portfolios) due to the prudent attitude of investors. In this regard, the Central Bank of Nigeria (CBN) provided, among others, facilities to the pharmaceutical sector (N100 billion) to increase product supply, supported to affected businesses and households (N300 billion), and sustained 76 industrial projects (N1,000 billion).

3.3.7. In conclusion, it was indicated that the measures adopted had a favourable impact. Indeed, Nigeria's economic activity grew by 0.5% in the first three months of 2021, higher than the 0.1% increase recorded in the last quarter of 2020. As a result, the country's inflation rate declined slightly to 17.7% at the end of the first half of 2021. In addition, bank credit increased by 17.0% and support measures, including disbursements (N803 billion) to the industrial sector, have boosted local production.

3.4. Conclusions of the Chairperson

3.4.1. Closing the session, the Chairperson thanked all the speakers for their willingness to share their experiences with the audience. He also underscored that central banks showed great vitality in expanding their interventions beyond their traditional mandates with sacrifices to support markets and economies. Furthermore, given the importance of the private sector, he stressed that the central banks provided liquidity injections while ensuring that inflationary pressures were contained.

4. SECOND SESSION

4.1. Introduction

4.1.1. This session was chaired by Mr. Harvesh Kumar Seegolam, Governor of the Bank of Mauritius (BoM). The theme, entitled *"Post-COVID-19 Economic Recovery under the Constraint of Limited Fiscal Space",* was presented by Ms. Catherine Pattillo, Deputy Director, Africa Department, International Monetary Fund (IMF). The panel consisted of Dr. Patrick Njoroge, Governor of the Central Bank of Kenya (CBK) and Mr. Abderrahim Bouazza, Director General of Bank Al-Maghrib.

4.2. Summary of presentations

4.2.1. Sub-Saharan Africa (SSA) recorded a 1.9% contraction of economic activity in 2020, the worst performance in decades due to national lockdown measures taken to contain the rapid spread of the virus. According to the IMF's World Economic Outlook, SSA's growth forecast is 3.4% in 2021. In 2022, the recovery will continue, with growth revised to 4.1%. However, this outlook is linked to the uncertainty of the persistence of the COVID-19 pandemic, which remains the major risk, in relation to other waves of contamination.

4.2.2. Inequality in vaccination across regions and countries was highlighted. According to IMF estimates, vaccinated populations are around 50%, 25% and 1% for ACs, EEs and SSA. In addition, the main factors that could affect the recovery dynamic in Africa are access to vaccines, external finance and commodity price developments. The IMF estimated that per capita income is expected to return to pre-crisis levels by 2023.

4.2.3. Concerning the challenges to overcome, the following points were raised:

- Give priority to protecting people's lives and livelihoods: The pandemic resulted in a loss of income, favouring disparities and widening the gap in GDP per capita between SSA and the advanced countries. It is expected to broaden further in 2022, potentially interrupting the region's previous convergence path;
- Access to vaccines in the face of persistent COVID-19: The IMF estimates the cost of vaccinating 60% of the adult population to acquire collective immunity at USD 10 billion, representing 3.4% of the region's GDP or 52% of health expenditure in 2018. Donations from ACs under the COVAX initiative, the World Health Organization (WHO) Global Equitable Vaccine Access mechanism and deliveries from bilateral partners could reduce the vaccine gap;
- Building a more resilient future: SSA needs to address the legacy of the crisis, including rising poverty (the number of people living with less than USD 1.90/day has crossed the 450 million thresholds). Sustained and vigorous growth will be needed to reach pre-COVID-19 levels. In this regard, transformative reforms need to be accelerated, taking advantage of digitalization and mobile money. Indeed, the region is in a leading position, with transactions exceeding USD 40 billion in 2019. More investment is needed to increase internet connectivity and to exploit the dynamism and potential of digitalization;
- Catalyze external financing to ensure a robust recovery: Low-income countries in SSA have additional spending needs of USD 245 billion over 2021-2025 to strengthen spending on the pandemic response and accelerate income convergence. The use of international markets could offset declining flows of foreign direct investment, remittances and development assistance.

4.2.4. In supporting the recovery with limited fiscal space, stimulus spending was more modest in SSA, and fiscal consolidation was gradual. However, the region experienced a rising deficit due to the debt burden and limited access to capital markets. In addition, the continent faces structural constraints, including low efficiency of public investment and debt servicing capacity.

4.2.5. To find solutions to these constraints, the following three priorities were suggested:

- Improvement of the management of public investments by integrating climate considerations: Indeed, public spending in Africa is less efficient than in other parts of the world, with less impact in terms of expected services than capital. Half of the spending is lost to corruption and additional burdens, leading to the lowest average public investment efficiency score for SSA standing at 52% in 2018, compared to 68% for Asia Pacific and 79% for Europe;
- Increase of domestic revenue mobilization: In SSA, debt interest payments amounted to about 10% of government revenues in 2020, the highest of all regions. Total revenue excluding grants was 17.5% of GDP (the lowest) compared to 23.9% and 39.2% for EEs and ACs. In order to increase tax revenues, reforms should focus on (i) broadening the value-added tax base, (ii) removing exemptions and incentives on corporate income tax, (iii) increasing the progressivity and coverage of personal income tax, (iv) increasing the role of property taxes, (v) enhancing environmental taxes and improving natural resource taxation; and

- Improvement of public financial management: The debt ratio has increased over the last two years due to exchange rate depreciation, primary deficit, real interest rates, etc. Contingent liabilities and guarantees given by countries to state-owned companies should also be taken into account. Indeed, electricity and water companies suspended payment of bills, and subsidies were provided to relieve households during the COVID-19 crisis. These measures could lead to cash flow difficulties.

4.2.6. In this context, promoting private investment and Public-Private Partnerships (PPPs) can ease governments' financial constraints. However, private operators consider risks that influence their decisions, notably project risk and country risk. According to the IMF analysis, if measures are taken to mitigate these risks, additional funding of around 3% of continental GDP would come from the private sector.

4.2.7. Furthermore, the new general allocation of Special Drawing Rights (SDRs), advocated by the Paris Summit in May 2021 at around USD 650 billion, of which USD 23 billion will go to Africa, will provide more support to SSA countries to cope with the crisis and initiate a recovery policy.

4.2.8. It was also pointed out that Central Bank financing to governments, which dropped significantly, started an upward trend in 2019. But in extraordinary circumstances, countries with limited external options (fragile states, commodity dependence and lack of market access) cannot find alternatives. However, countries should only resort to this type of financing as a last resort, on market terms, limited in time and with a medium-term repayment plan.

4.2.9. Finally, it was noted that Africa's economic recovery would be difficult. The priority remains the protection of lives and livelihoods with vaccination campaigns. In this regard, urgent transformative reforms with external financing are needed to promote a greener, inclusive, job-creating and resilient recovery. Domestic revenue mobilization, through the use of digitalization and good governance, will reinforce this dynamic.

4.3. Summary of panel discussions

4.3.1. The panel discussions were conducted by two Central Banks (Kenya and Morocco). In Kenya, the priority was to procure protective equipment (masks, disinfectants, gel, etc.) produced in Asia, the supply of which was disrupted by the restrictions. However, a positive development was observed when local production was able to meet domestic demand.

4.3.2. It was emphasized that vaccination campaigns must be deployed to combat the pandemic, as new waves are possible. The Authorities provided support for vulnerable people, those who have lost their jobs due to the cessation of activities in the hotel sector and the self-employed and SMEs weakened by the health crisis.

4.3.3. In this regard, the implementation of innovative mechanisms (digitalization) has made it possible to carry out fund transfer operations effectively for the benefit of the most vulnerable people. It was observed that there was a deterioration in the indicators for achieving the Sustainable Development Goals (health, education, etc.) and an increase in social inequalities. Hence, solutions will have to be found, particularly the granting of subsidies to target populations. In this perspective, rigorous economic policies should be pursued to provide budgetary space to meet future challenges.

4.3.4. Concerning Morocco, the Authorities reacted promptly to the contraction of the activity by 6.3% (never recorded by the country) in 2020, due to the sanitary crisis and the unfavourable climatic conditions which affected the agricultural production. The government set up a special pandemic fund of USD 4 billion (3% of GDP) and issued (borrowed) a USD 3 billion loan from the IMF to secure external financing and strengthen foreign exchange reserves equivalent to 7 months of imports.

4.3.5. As part of the economic recovery, it was stated a USD 13 billion (11% of GDP) financing plan to guarantee bank loans to revive business activities and to enhance the capital of companies. As a result, Bank Al-Maghrib forecasts a rebound in growth of 5.3% in 2021 and 3.3% in 2022. However, these stimulus measures impact public finances, increasing the budget deficit from 4% of GDP in 2019 to 7.6% in 2020 due to the drop in tax revenues. Furthermore, the Treasury debt rose to 76.4% of GDP in 2020 from 64.8% in 2019 and could reach 80% in 2021.

4.3.6. Finally, it was indicated that medium-term fiscal sustainability could be strengthened by mobilizing new resources through broadening the tax base, using PPPs, targeting direct aid to the population and accelerating digitalization. Despite losing investment-grade status (low-risk issuer), Morocco carried out two bond issues of USD 4 billion on the international markets on satisfactory terms. For example, the state-owned Office Chérifien des Phosphates (OCP) Group raised USD 1.5 billion in July 2021 on the markets under favourable conditions with competitive interest rate.

4.4. Conclusions of the Chairperson

4.4.1. The Chairperson of the session thanked all speakers and stressed that central banks took timely action to support the economies. He indicated that they need to strengthen financial stability objectives to ensure the credibility and effectiveness of the monetary policy. In the context of the post-COVID-19 recovery, he highlighted the need to find innovative financing mechanisms and strengthen international cooperation to promote the emergence of appropriate and pragmatic solutions.

5. THIRD SESSION

5.1. Introduction

5.1.1. This session was chaired by Mr. Norbert Toe, Deputy Governor of the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO). It focused on the experiences of the Sub-regions on the main theme of the Symposium. Four papers were presented by Mr. Abbas Mahamat Tolli, Governor of the Banque des Etats de l'Afrique Centrale (BEAC), Dr. Ernest Addison, Governor of the Bank of Ghana (BoG), Mr. Mustapha Abderrahim, Director General of Studies, representing the Governor of the Banque d'Algérie (BA) and Mr. Christopher Mvunga, Governor of the Bank of Zambia (BoZ).

5.2. Summary of presentations

5.2.1. The presentations focused mainly on the impacts of COVID-19 on African economies and the support measures taken by the States and the Monetary Authorities to cope with them and support the post-COVID-19 economic recovery.

5.2.2. Concerning the impacts of COVID-19, it was noted that the crisis has:

- generated a deterioration in the public and external accounts, resulting in a net loss of foreign exchange reserves;
- caused a decline in budgetary resources, due to sluggish economic activity;
- induced a significant need for state financing, due to the deterioration of budget deficits;
- generated increased spending to support the health sector, low-income households and businesses in difficulty;
- induced increased recourse to external financing mobilized through programmes with the IMF and emergency facilities for COVID-19;
- caused inflationary pressures;

- worsened macroeconomic imbalances and fiscal balances;
- resulted in worker layoffs and wage cuts;
- caused supply-side disruptions, resulting in a fall in exports.

5.2.3. Thus, the health crisis caused an unprecedented economic recession in 2020 in most African countries, with the immediate measures taken by the States. Specifically, economic activity has contracted:

- in CEMAC by 1.7% in 2020 against a rise of 2.1% in 2019;
- in Algeria by 4.8% in 2020 against a growth of 1.2% in 2019.

In contrast, the economy of Ghana is projected to grow by 0.4% in 2020. The economy was also strongly affected in Zambia, with a 10% contraction in tax revenues in 2020.

5.2.4. In response to the economic difficulties caused by the COVID-19 pandemic, States took the following budgetary measures to mitigate its effects:

- direct financial support (temporary tax relief, family allowances, payment of water and electricity bills, etc.) granted to employees and/or companies depending on the country;
- support for the health sector, notably through the acquisition of medical equipment and vaccines in all the countries concerned or special bonuses for health personnel in certain countries (Algeria and Ghana);
- direct financing of the most affected sectors such as tourism, hotels, restaurants, etc., to compensate for the losses incurred and avoid massive bankruptcies;
- a deferral of tax and social debts of companies in certain countries (Algeria and CEMAC countries).

5.2.5. To complement the relief measures instituted by governments in response to the COVID-19 pandemic, central banks implemented monetary policy and regulatory measures to ease funding conditions and liquidity pressures and ensure the extension of credit to the most affected sectors of the economy.

5.2.6. In terms of monetary policy, central banks globally proceeded to:

- an intensification of open market operations, through massive liquidity injections into the market or an increase in the refinancing thresholds for negotiable public securities;
- a reduction in key rates of between 25 and 350 basis points (bps) depending on the central bank (for example, BEAC (-25 bps), Banque d'Algérie (-50 bps), Bank of Ghana (150 bps) and Bank of Zambia (350 bps));
- lending facilities at preferential rates to support various sectors (tourism, hotels, etc.) via the banks;
- support for the national economic recovery programme, through the implementation of special refinancing programmes or the repurchase of public securities to support the intervention programme put in place by the States;
- a reduction in the level of mandatory reserve ratios in certain central banks, bringing them down from 10% to 2% (Banque d'Algérie) and from 10% to 8% (Bank of Ghana) in order to increase the liquidity of the banking system;
- a lengthening of refinancing maturities from seven (7) days to one (1) month (Banque d'Algérie) and even from one (1) day to 92 days (Bank of Zambia).

5.2.7. Furthermore, some central banks adopted the following specific actions:

The Banque d'Algérie proceeded:

- to satisfy the refinancing requests of commercial banks;
- to launch a special refinancing programme including temporary liquidity transfer operations to the banking system carried out at the initiative of the Banque d'Algérie.

At the BEAC, the following actions were noted:

- an easing of the conditions for issuing Treasury securities;
- a reduction in the discounts applicable to government securities accepted as collateral for monetary policy operations.

5.3. In terms of macroprudential responses, central banks enabled:

- a restructuring of loans by credit institutions and a moratorium on loans and mortgages to their clients for repayment of maturities without penalty (Bank of Ghana, BEAC);
- an easing of regulatory provisions governing banking activity during the COVID-19 period, notably the reduction of the liquidity ratio threshold to maintain the level of available financing and the exemption of banks and financial institutions from the obligation to build up a safety cushion;
- a relaxation of the loan classification and provisioning rules to better reflect lending and refinancing.

More specifically, central banks adopted specific actions:

5.3.1. At the BEAC, it was noted:

- the presentation of a recapitalization plan in case of insufficient capital;
- the use, according to the needs of the banks, of their 2.5% conservation buffer to absorb losses linked to the pandemic and thus maintain a solvency ratio of at least 8%.

5.3.2. Concerning the Bank of Ghana, it proceeded to:

- reduce the capital conservation buffer (CCB) of banks by 1.5 percentage points;
- effectively reduce the capital adequacy requirement in commercial banks (from 13% to 11.5%).

5.3.3. Regarding the Bank of Zambia, the revision of the rules governing the interbank foreign exchange market's operations was noted in order to promote its smooth functioning, strengthen market discipline and cope with increased volatility in a period of tension.

5.3.4. Further measures taken by central banks to mitigate the impacts of the health crisis included:

- the suspension of dividend payments by banks for the year 2020 to secure capital reserves;
- increasing awareness of the use of digital channels and contactless mobile payment mechanisms, including increasing wallet holding limits and waiving fees on all person-to-person e-money transactions.

5.3.5. All these urgent measures helped alleviate the effects of the health crisis. However, uncertainties (new waves, access to vaccines, etc.) are risk factors that could jeopardize the favourable economic outlook and delay the dismantling of the COVID-19 support measures.

5.4. Conclusions of the Chairperson

5.4.1. In conclusion, the Chairperson of the session thanked all the speakers and pointed out that central banks must adopt a package of measures, including the provision of liquidity to the economy, to preserve the productive system and support demand. He also noted the uncertainty of the duration of the pandemic in the face of the resurgence of new variants that could jeopardize the expected recovery. He insisted on the need to reflect on the formulation of proposals to better address the post-COVID-19 recovery.

6. CLOSING CEREMONY OF THE SYMPOSIUM

6.1. In her closing remarks, Mrs. MALANGU KABEDI MBUYI, Governor of the BCC, stated that sharing experiences, discussions, and conclusions of the Symposium enabled identifying relevant pillars that could serve as a basis for economic policy actions aimed at supporting the post-COVID-19 economic recovery.

6.2. In this regard, she highlighted the need for the following key actions:

- ensure better coordination between monetary and fiscal policies to maintain macroeconomic stability;
- Implement post-COVID-19 debt reduction strategies to return to reasonable levels of debt sustainability;
- gradually withdraw unconventional monetary policy measures adopted by the central banks during the crisis, taking into account the specificity of each economy and adjusting the pace according to the sensitivity of the sectors of activity concerned;
- implement appropriate measures to increase fiscal ressources to ensure economic recovery;
- promote the digitalization of financial services and the integration of payment systems to facilitate trade between African countries;
- sharpen the monetary policy measures put in place in the light of COVID-19; and
- identify strategies to address the challenges to be met in order to contribute to the post-pandemic recovery of African economies.

7. RESOLUTIONS OF THE SYMPOSIUM

7.1. States were urged to improve the management of public finances and investments by considering climate change. In this regard, governments should focus on the efficiency of public expenditure and its productivity concerning expected results. Furthermore, Governments were encouraged to continue efforts to increase domestic revenue mobilization by implementing reforms to increase tax revenues through digitalization and the inclusion of environmental and natural taxes. Governments were also invited to promote private investment and Public-Private Partnerships (PPP) by continuously improving the business environment to mitigate investors' perception of risk.

7.2. Governments should promote greater coordination of fiscal and monetary policies to support the private sector, which is the engine of the economy, while minimizing the risks of inflation and avoiding the fiscal dominance that could jeopardizee the independence of central banks.

7.3. States must ensure that banks are prepared to deal with increased exposures to non-performing loans, while allowing them to finance households and non-financial companies.