

BRIEF ON POLICY RESPONSE BY THE CENTRAL BANK OF ESWATINI IN VIEW OF THE CORONAVIRUS (COVID-19)

1. INTRODUCTION

The World Health Organization (WHO) declared the rapidly spreading COVID-19 outbreak as a global pandemic on the 11th March 2020. As the COVID-19 pandemic continued to unfold the number of confirmed cases of coronavirus around the world was recorded at 13.3 million on 15 July 2020 and had claimed 578 000 lives, whilst nearly 7.4 million people recovered.

In Eswatini the first case that tested positive was recorded on the 13th March 2020. As at 15 July 2020 the total number of positive cases has risen to 1 489, with 745 active cases, 724 recoveries and 20 deaths.

2. MEASURES PUT IN PLACE BY GOVERNMENT

The Kingdom of Eswatini declared a state of emergency due to COVID-19 on the 17th March 2020, under the National Disaster Management Act, 2006. All schools and tertiary institutions were closed with immediate effect. All planned national events were either postponed or cancelled, and budgeted resources were diverted towards the fight against the spread of COVID-19.

Other measures initially undertaken by government included: -

- Subjecting all Nationals and residents returning from high risk countries to mandatory intensive screening and 14-day self-isolation;
- Suspending of non-essential travel for all nationals to all other countries;
- Suspension of non-essential local travel by nationals;
- Published a regulation that:
 - Introduced mandatory measures to curb the spread of the virus for public and private sector;
 - Introduced social distancing i.e. all public and private gatherings of more than 20 people were suspended;
 - Encouraged employers to allow employees to work from home;

- Closed schools and institutions of higher learning. This restriction is being gradually relaxed effective 6th July 2020;
- Intensified surveillance and enforcement of private sector compliance to COVID-19 rules;
- Established a dedicated COVID-19 referral and isolation hospital, and several satellite centres in the regions of the country.

As part of the state of emergency, a partial lockdown was announced for 20 days with effect from 27th March 2020, it was then renewed for 21 days and another 30 days which was in force until 19 June 2020. A further partial easing on specified sectors of the economy was effected on 19th July 2020. Government continues to monitor the situation and implement adjustment to the lockdown on a regular basis, based on new developments and data.

3. MEASURES PUT IN PLACE BY THE CENTRAL BANK OF ESWATINI

Amongst the key policy measures the Central Bank of Eswatini undertook the following: -

- Reduced its policy rate 3 times since the beginning of the crisis, by a cumulative 250 basis points between March and May 2020. The discount rate is now at 4.0 per cent. In line with the reduction in the discount rate, the prime lending rate was also reduced by 250 basis points to 7.5 per cent.
- Reduced the liquidity requirement by 500 basis points to 20 per cent for commercial banks and 400 basis points to 18 per cent for development banks.
- Reduced reserves requirement by 100 basis points to 5 per cent.
- Encouraged banks to utilize excess capital to lend during the COVID-19 period as they are currently holding excess capital against the minimum capital requirements (CAR) of 8 per cent.
- Issued a Circular to banks wherein the CBE encouraged banks to work with COVID-19 affected customers and prudently restructure loans for struggling customers as opposed to foreclosing on them. The Circular:
 - defines forbearance measures banks may grant their customers.
 - Compels banks to submit daily liquidity compliance reports through the Bank Supervision Application (BSA) System.

- Requires banks to submit daily reports on deposits.
- Requires banks to conduct stress testing of key categories of risks in their balance sheet and submit same to the Central Bank on a monthly basis.
- Requires banks to submit reports on forborne and restructured loans to on a monthly basis.
- Permitted a standstill waiver on provisioning requirements envisaged by Inspection Circular No.8 for a period not exceeding six months.
- The Central Bank further believes that in the context of IFRS 9 and COVID-19, banks are permitted to adjust their approaches to determining expected credit losses (ECLs) in different circumstances. As such granting payment holidays to COVID-19 affected borrowers or particularly affected classes of financial instruments should not automatically result in all those instruments being considered to have suffered significant increase in credit risk (SICR).
- Banks have been granted a moratorium not exceeding six months to maintain same risk weighting category for COVID-19 affected loans, for purposes of risk weighted assets under Pillar 1.
- The effect of COVID-19 is likely to stress the banking sector. Therefore, banks are encouraged to restrict distribution of ordinary dividends during these precarious times. This is to ensure that banks augment and strengthen their capital positions during these challenging times. All payments of dividends shall require prior approval of the Central Bank.
- The Bank has increased limits on digital payments and remittances and encouraged banks to promote the use of digital delivery channels and consider waiving some of the fees and charges related to electronic transactions.
- Lastly, the Bank is participating in a number of committees established by Government to coordinate the efforts to mitigate the effects of the virus in the Kingdom.

Internal and operational measures that the Bank undertook include: -

- Invoking business continuity plans and developing a holistic response plan to the national partial lock down where leaving only 88 staff out of 296 staff members to work on the Bank premises. The rest are working from home.

- Appointing a pandemic task team to assist the Bank drive measures to control the situation.
- Developing a risk assessment checklist and deployed this to all points of access to the Bank.
- Developing an employee guide to COVID-19 which was distributed to all staff as brochures.
- As part of CSI, CBE donated a sum of E1.3 million to the National Resource Mobilisation Task Team, and protective clothing to the police and health workers.

4. MEASURES (POLICY) IMPLEMENTED BY BANKS

- Banks have already started considering customers request on loan restructuring and payments moratoria. CBE is currently standardizing the reporting template for monthly submission.
- The Banks have announced that those individuals and companies that need short term financial support or relief can approach them and each application will be assessed on case-by-case basis.
- Banks providing instalment relief and temporary credit lines for qualifying small and medium enterprises (SMEs) who are hardest hit by the virus.
- Banks are making every effort to keep their branches open during the prescribed business hours and to put in place measures to prevent the spread of the virus in all their branches including ATMs, by availing the necessary facilities for use by both staff and customers.

5. CONCLUSION

The Central Bank of Eswatini continues to take the fight against the pandemic seriously and has committed to work with government, banks and other stakeholders to mitigate the devastating effects of the pandemic. It will do this by using appropriate policy tools available at its disposal whenever the situation demands and augment government's efforts of dealing with the pandemic.