TAX JUSTICE NETWORK AFRICA

Tracking Fiscal and Social Protection Responses to COVID-19 in Africa

Table of Contents

Figures

Tables

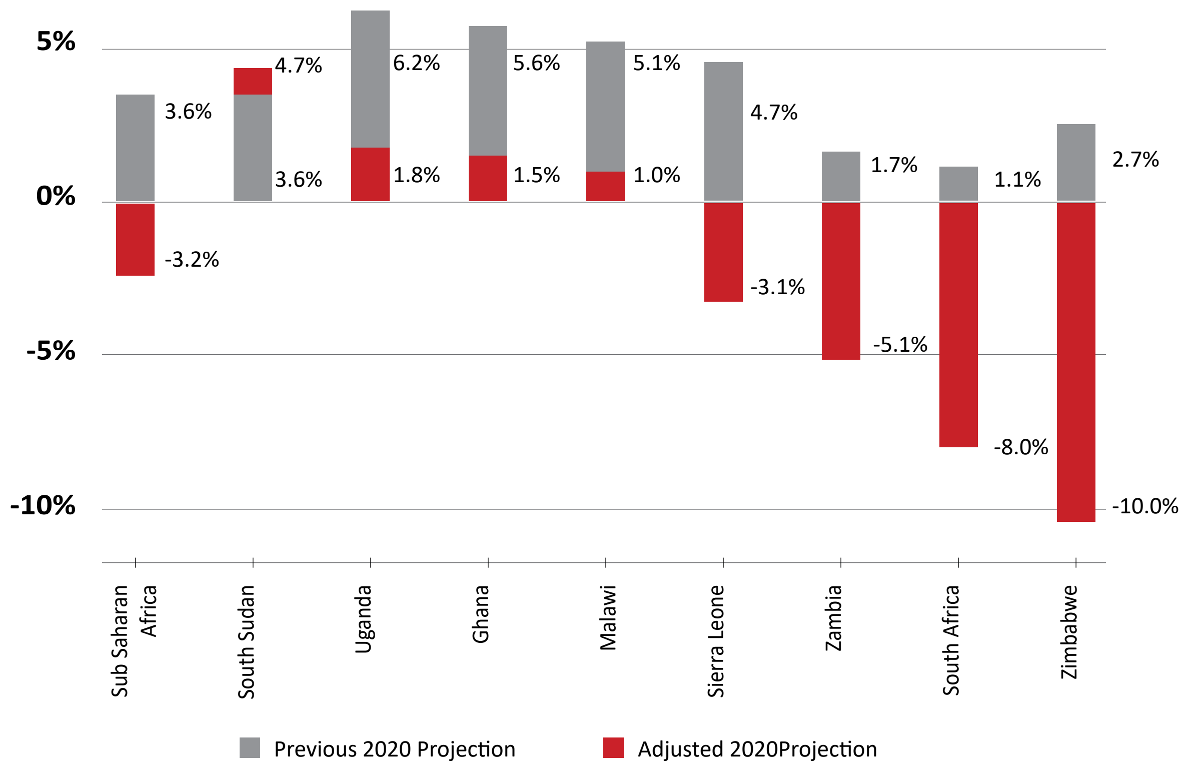
1.0 Introduction and Background

The socio-economic impacts of the COVID-19 pandemic came to Africa long before the epidemiological impacts were felt on the continent. The ripple effects of the slowdown of the global economy led to Africa's first major recession in over 25 years. As a result, Africa's GDP growth for 2020 was adjusted downwards to -3.2% from 3.6% [i] reflecting the negative economic costs associated with the pandemic.

The situation in Africa was particularly concerning given the continent's limited fiscal capacity to provide adequate social protection and healthcare systems. For instance, one of the countries studied in this report, South Sudan, has one of the weakest health care systems in the world[ii]. In response to the economic and health crises, countries across the continent implemented various policy initiatives. However, for the most part, African governments simply lacked the fiscal space to provide the kind of stimulus deployed in advanced economies.[iii]

In light of the economic shocks that were widely felt across the region, this paper seeks to look into the fiscal measures in selected African countries in response to COVID-19. The paper analysed governments' announced fiscal spending responses to the pandemic in four main categories: corporate spending, informal sector stimulus, social protection, SME stimulus.

Figure 1: Revised GDP forecasts for selected countries



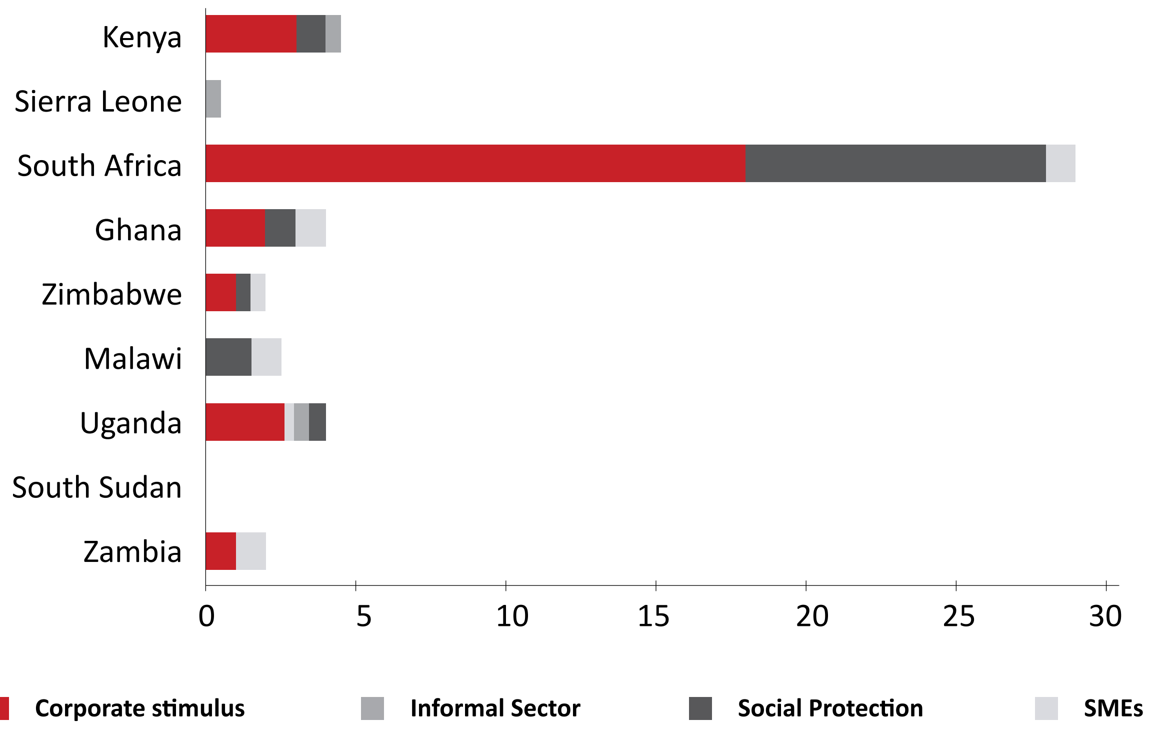
Source: IMF Projections in Regional Economic Outlook – Sub-Saharan Africa 2020

1.1 COVID-19 Recovery Spending

Having the largest economy in Africa, South Africa contributed the largest amount to its COVID-19 response with a total stimulus package of about US$ 28 billion. Data from our study shows that only Kenya, Uganda, and Ghana were able to contribute over a billion US$ to their COVID-19 response with contributions of US$ 3.7 billion, US$ 3 billion and US$ 1 billion respectively – the remaining countries: Zambia, Zimbabwe, Sierra Leone, Malawi, and South Sudan all contributed less than US$ 1 billion. The total average support from the focus countries[1], therefore, amounted to just under US$ 6 billion – to put this into context, compared to more developed economies, as of August 2020, G20[2] countries (minus South Africa) allocated on average US$ 600 billion in fiscal support, representing 26.8 percent of G20 GDP[iv]. The table below breaks down by composition the allocations of recovery spending of the 9 focus countries.

1. Kenya, Sierra Leone, South Africa, Ghana, Zimbabwe, Malawi, Uganda, South Sudan and Zambia
2. Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, Turkey, the UK and the US

Figure 2: COVID-19 Spending by Composition



COVID - 19 recovery spending by composition, in $USbn

In terms of spending as a percentage of GDP, South Africa's allocation was the largest again translating to around 10 percent of its GDP with various programmes put in place to provide stimulus to the economic shock and decline experienced during the pandemic. Uganda, Malawi, and Kenya followed with packages of 8.14, 6.43, and 3.7 percent of GDP respectively. Figure 3 illustrates these figures in more detail.

Governments of the countries analysed spent on average 3.7 percent of their GDP response to the COVID-19 pandemic in Africa – significantly lower than the fiscal responses of more developed economies such as in the United States which committed 13.2 percent of its GDP, and in the U.K., which committed 7.4 percent[v].

1.2. Category of Recovery Spending

As mentioned earlier, this paper divides the stimulus packages into four categories: corporate stimulus packages, informal sector support, social protection measures, and SME support. The graph in figure 4 breaks down how total stimulus spending in the mentioned countries was proportioned among the four categories.

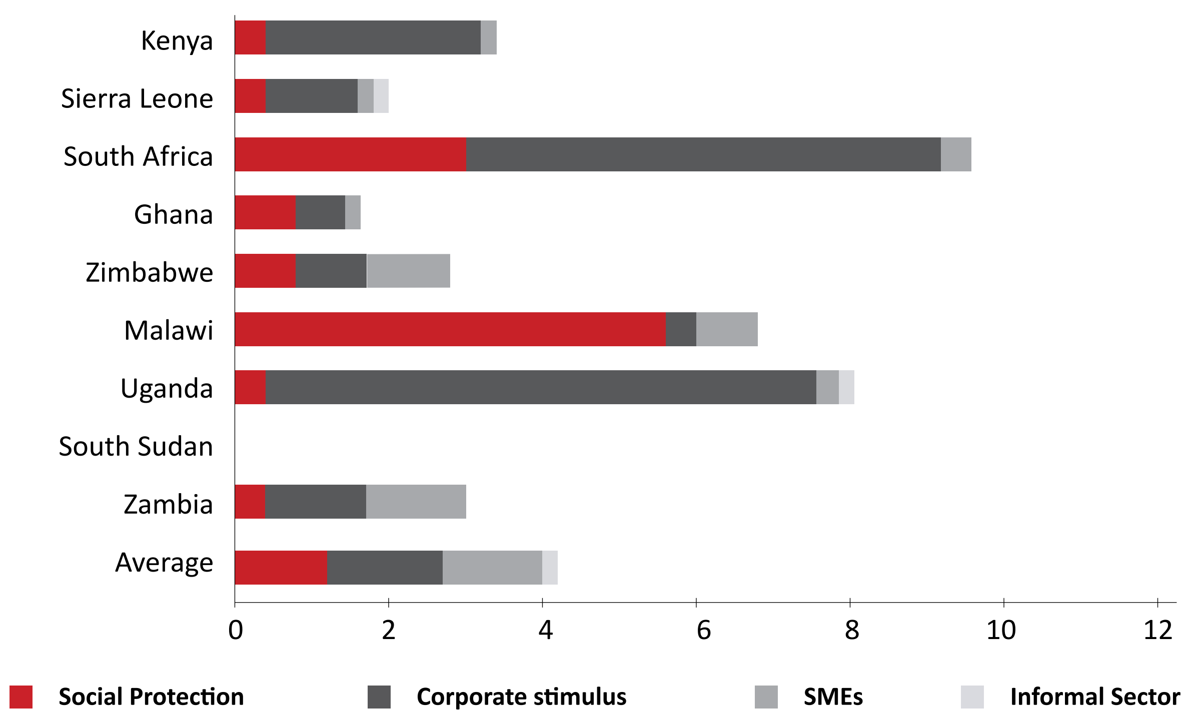
1.2.1 Corporate and Social Protection Measures

Data from the countries studied showed that on average around 63 percent of the total recovery stimulus was targeted at corporates with only 21 percent targeted at social protection measures. Specifically, corporate stimulus spending took up a significantly high proportion of the total COVID-19 recovery spending with Kenya and Uganda spending over 90 percent on corporates – in Uganda, the government provided financing worth US$ 2.17 billion for banks to restructure loans to their borrowers who were facing liquidity constraints, and in Kenya, the government offered tax exemptions amounting to US$ 1.7 billion.

Several countries provided corporate financing support to help keep businesses afloat during the economic downturn caused by the pandemic. However, based on the above graph, it can be assumed that this was to the detriment of expenditure on social protection measures. Governments spent less than half of their total support on measures that primarily targeted the poor and vulnerable. These people were those who were most negatively affected by COVID-19 due to retrenchment or the lack of access to social insurance for informal workers – figures from the IMF indicate that more than 32 million people were thrown into extreme poverty in 2020[vi]. This underscores the importance of allocating adequate resources towards social protection measures.

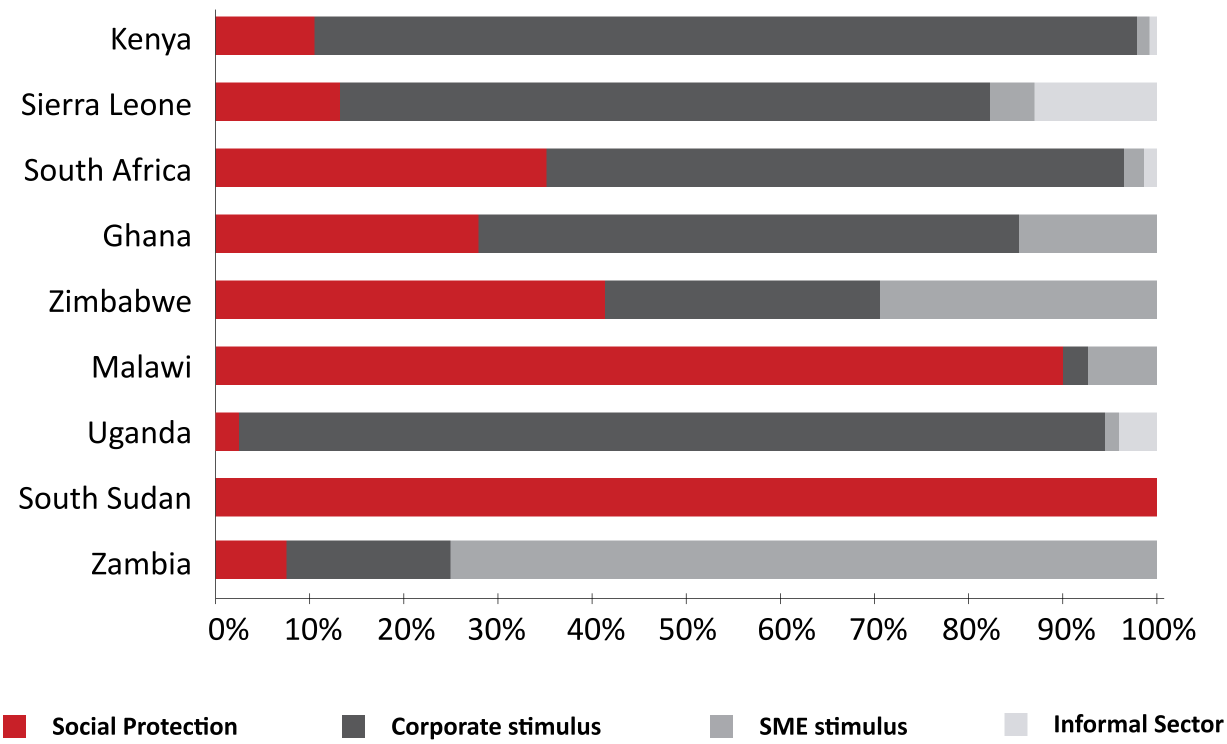
Despite the low allocation, the improvements in the implementation of social protection measures in response

Figure 3: COVID-19 recovery spending as (%) of GDP



Source: Authors Computations

Figure 4: COVID-19 recovery spending by category, percentage (%) of total recovery



Source: Authors Computations

Table 1: Percentage (%) of total recovery by category

	Zambia	South Sudan	Uganda	Malawi	Zimbabwe	Ghana	South Africa	Sierra Leone	Kenya	Average
Social protection	8.7%	0.8%	2.9%	89.7%	37%	25.4%	32.3%	11.9%	6.7%	26.8%
Corporate stimulus	15.8%	0.0%	91.2%	3.3%	35%	62.2%	66.1%	73.8%	92.5%	55%
SME stimulus	75.6%	0.0%	0.9%	7.0%	28%	12.3%	1.5%	3.6%	0.8%	16.2%
Informal Sector support	0.0%	0.0%	5.1%	0.0%	0.0%	0.0%	0.0%	10.7%	0.1%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Authors Computations

to COVID-19, such as the emergency cash transfer program in Malawi that targeted around 172,000 households, were laudable, but overall more could have been allocated to ensure those most affected by the pandemic were provided a safety net.

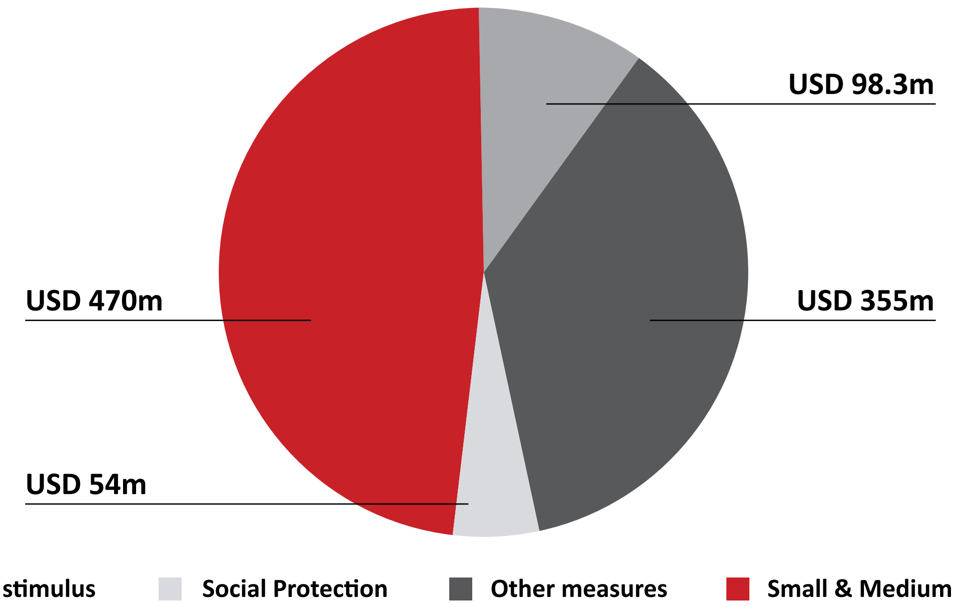
1.2.2 SME and Informal Sector Stimulus

The SME and informal sector received the lowest proportion of support with 16 percent of the total stimulus support going towards SMEs and less than 2 percent towards the informal sector. For SMEs, multiple forms of support were administered – several African countries created SME support guarantee funds including South Africa; other countries provided a direct liquidity subsidy or subsidized loans to their troubled SMEs, such as Zimbabwe. Meanwhile, Ghanaian authorities created a first-loss guarantee instrument to protect SMEs in the country. Sierra Leone, which committed the highest percentage of support to the informal sector, received support from the EU through the World Bank (WB) in November, 2020, worth EUR4,650,000 to support 36,000 informal sector workers (petty traders, lowly-paid workers, and workers in the tourism sector). [vii]

Supporting both the informal and SME sectors is particularly important as they constitute the backbone of the African economy, accounting for 80 percent of employment on the continent[viii], with most of this employment being in the informal sector, especially in micro, small and medium enterprises (MSMEs). These sectors were also disproportionately affected by pandemic-related shocks including social distancing measures, as most informal sector workers lack savings or socio-economic safety and live one day at a time, unlike corporates (who received the highest support) that have retained earnings or can forego dividends.

2.0 Country Recovery Policy and Spending Analysis

Figure 5: Category of COVID-19 Allocations in Zambia



2.1. Zambia – Progressive spending despite difficult economic times

Zambia recorded its first two COVID-19 cases in March, 2020, leading to the government's enforcement of measures to contain the pandemic which included a shutdown of some sectors of the economy. This was combined with ensuring social distancing, mandatory wearing of face masks in public, hand washing, and sanitising. COVID-19 in Zambia has exerted undue pressure on the health sector, diverting attention and the limited resources from routine health services towards the response to COVID-19 to a significant extent. Therefore, the medium-term outlook which has been heightened by the COVID-19 is of great concern.

Economic impact of COVID-19

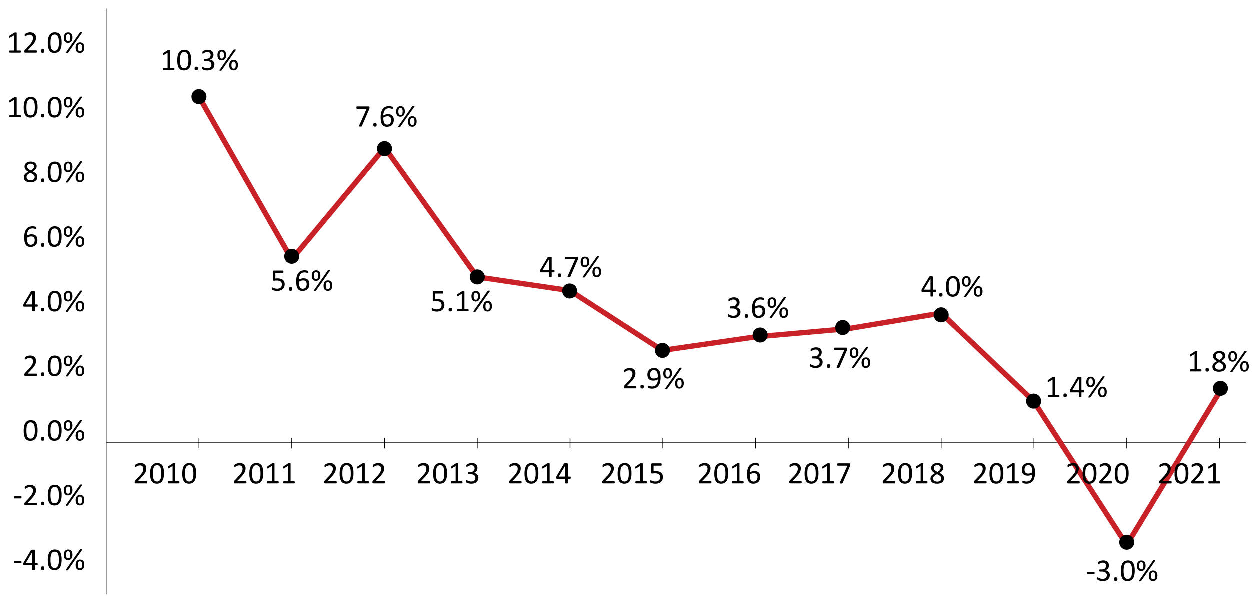
Zambia has been experiencing declining economic growth over the past decade, and with the onset of the COVID-19 pandemic, Zambia's macroeconomic fundamentals saw a further decline. During the period 2010-2014, real gross domestic product (GDP) growth averaged 6.6 percent and the period 2015-2019 growth was at an average of 3.1 percent[ix]. As such, real GDP had declined significantly, coupled with widening fiscal deficits, lower revenues, higher expenditures and public debt. This was partly due to the contraction in key industries such as wholesale and retail trade, education, public administration and defence, construction, accommodation, and manufacturing.

Over the past decade, the Zambian Government has also been on an expansionary fiscal path, with expenditure outturns continually outstripping those in the approved budgets, and consequently leading to a widening fiscal deficit. According to the Ministry of Finance Economic Report, the fiscal deficit stood at 14.5 percent of GDP in 2020 breaching the prescribed threshold by the International Monetary Fund (IMF) of 3 percent of GDP. This widening fiscal deficit has direct implications on the country's debt position with Zambia's public debt burden considerably high, estimated at 104 percent of GDP (in 2020) against IMFs recommended threshold of 55 percent of GDP.

The Kwacha depreciated by about 45.8 percent against the United States dollar to an average of K20.71/$ as at end December 2020, from K14.20/USD reported in January 2019 making it one of the poorest performing currencies during the specified period. This also contributed to a high inflation rate which stood at 19.2 percent at the end of December 2020, breaching the 6-8 percent target set by the Bank of Zambia (BOZ).

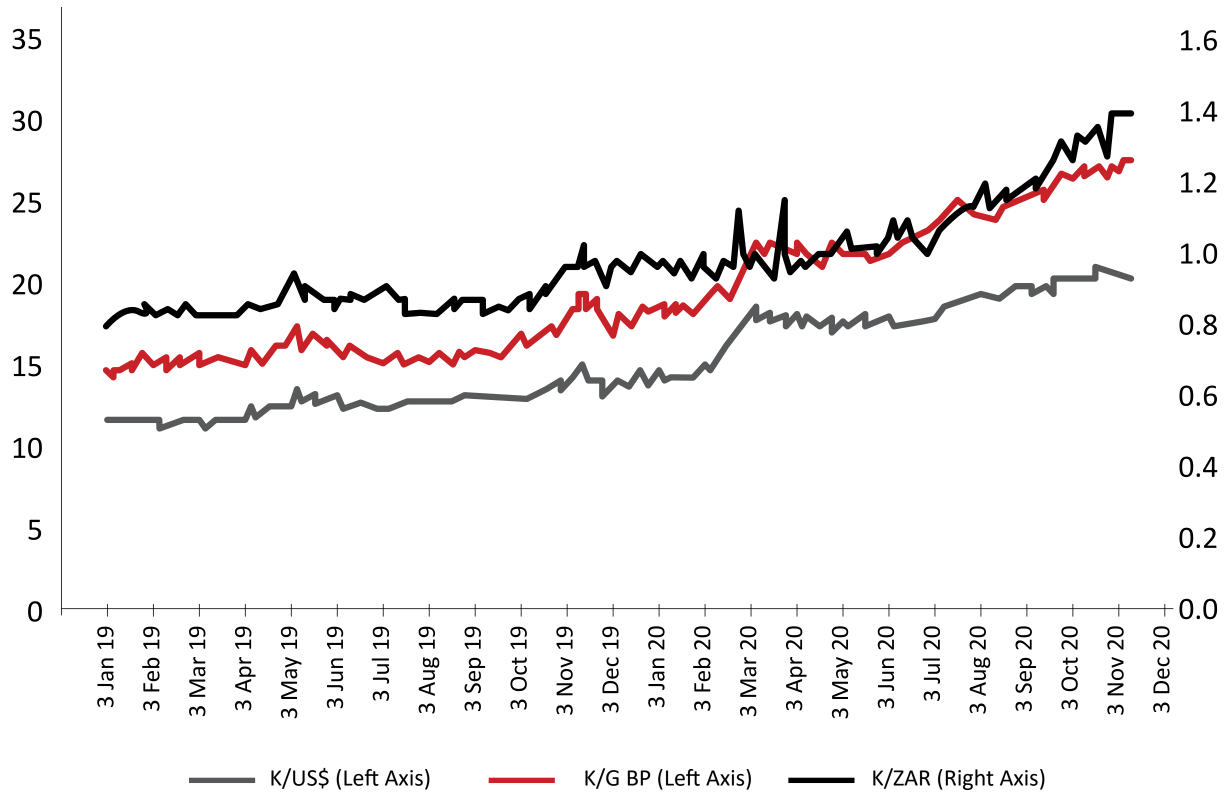
The government's expansionary path and growing fiscal deficit also led to the continued rise in the country's debt stock. In 2020, the approved fiscal deficit was set at -9.3 percent of GDP, but the outturn was -14.5 percent of GDP. This growing fiscal deficit has been the pattern in subsequent years as shown in the Figure 8 . Due to the widening fiscal deficit, public debt has been mounting. As at the end of December, 2020, the accumulated stock of external debt was USD 12.74 billion compared to USD 11.97 billion in December, 2019. Similarly, domestic debt has also increased to K130.21 billion at the end of December, 2020 from K80.2 billion as at December, 2019.[xi]

Figure 6: Real GDP Growth from 2010 - 2021

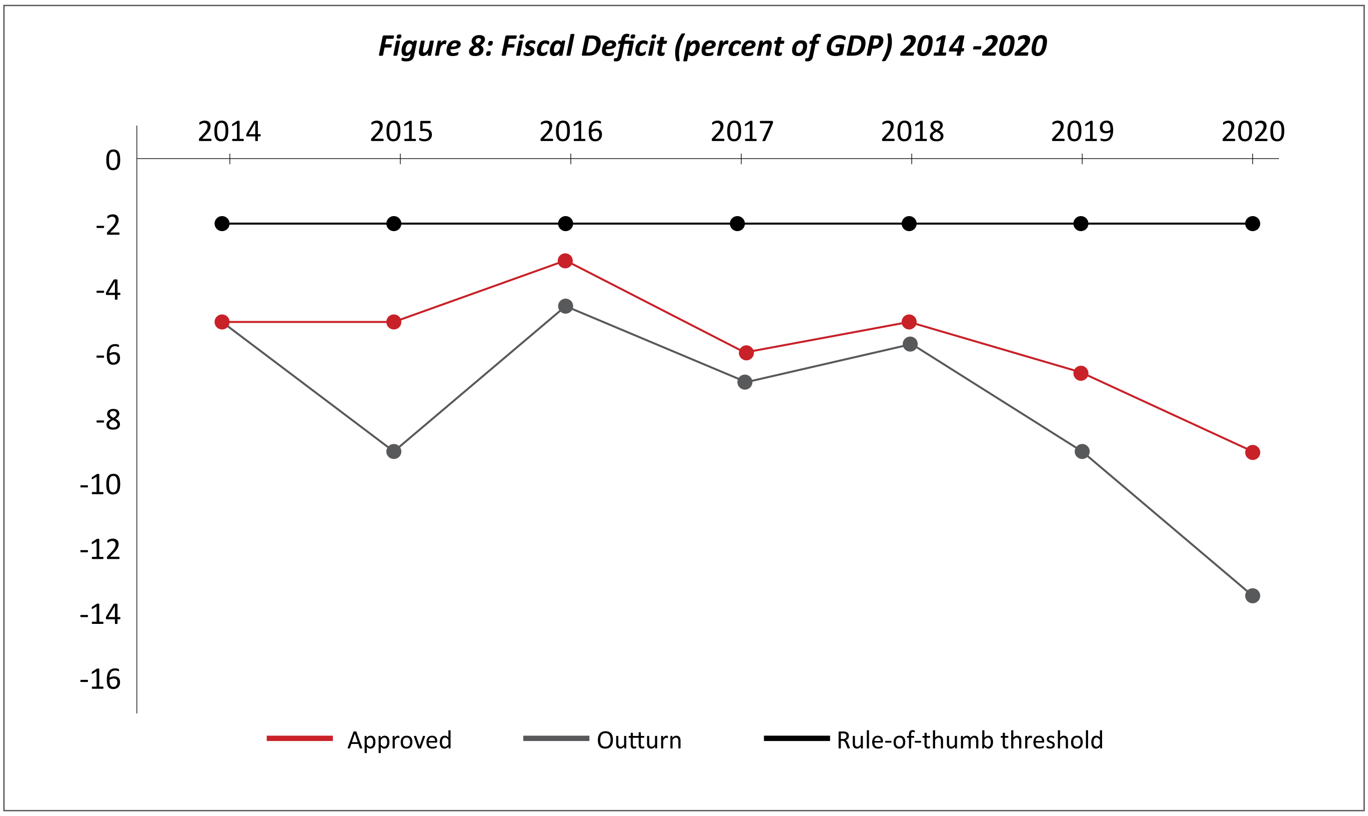


*Source: Zambia Statistics Agency, *MOF Projection*

Figure 7: Zambian Kwacha exchange rate against major trading currencies



Source: BOZ Fortnightly Series



Source: MOF Fiscal Tables

Measures to safeguard

The COVID-19 pandemic hit the Zambian economy when the macroeconomic fundamentals were already deteriorating. This meant that the government was unable to mount a strong response to mitigate the adverse impacts of the pandemic on the economy. Despite this, the government responded with several policy measures during the pandemic that were aimed at mitigating the impact of COVID-19 on businesses. The policy response was mixed and included dismantling domestic arrears, providing tax waivers, cutting policy interest rates, and providing lower interest loans to businesses and households.

As a way of reducing interest rates and increasing access to capital, the Bank of Zambia (BOZ) lowered the Monetary Policy Rate from 11.50 percent to 9.25percent in May, 2020 and then to 8.0 percent in August, 2020, and maintained it till the end of the year[xii]. The aim was to mitigate the effects of COVID-19 on people's lives and as well as safeguard the stability of the financial sector.

In terms of direct economic support, the government released two economic packages amounting to K18 billion (USD 983.6m). Further, the government through the BOZ provided an economic stimulus amount of K10 billion (USD 546.1 million) as a Targeted Medium-Term Refinancing Facility (TMTRF) aimed at strengthening and enhancing the financial sector's resilience in the wake of COVID-19. The facility was targeted to provide liquidity to eligible financial service providers (FSPs) for onward lending to viable non-financial corporates in priority and non-priority sectors and households.

Of the disbursed amount, two-thirds were disbursed by banks, and the rest was disbursed by non-bank FSPs. It can be observed that while banks disbursed more funds in absolute terms, non-bank FSPs handled more beneficiaries regardless of which sector of the economy. This reflected the ease in accessing funds from non-bank FSPs compared to banks.

In addition to the economic support, the government provided tax relief measures that were aimed at assisting companies and businesses manage their cash flows. These measures included:

- temporary waiver of tax penalties and interest on outstanding tax liabilities induced by the impact of the pandemic to provide short-term liquidity relief particularly for businesses faced with significant adverse impacts on revenues and profits
- suspension of import duties on mineral concentrate and export duties on precious metals to support the mining sector
- suspension of customs duties and VAT on some medical supplies and medical related commodities
- suspension of export duty on precious metals and crocodile skin and customs duties and VAT on additional medical supplies used in the fight against COVID-19

The tax relief measures led to a reduction in the collection of domestic revenues for the fiscal year 2020. According to the Annual Economic Report, domestic revenues were projected at K71.9 billion (USD 3.9 billion) but the outturn was K65.7 billion (USD 3.6 billion), representing 20.1 of GDP.

Effectiveness of measures put in place

The proceeds from the TMTRF show that K6.6 billion (USD 360.4 million) was approved and only K3.1 billion (USD 169.3 million) was disbursed by FSPs, reflecting a low uptake by corporates and households of the support.

Furthermore, the authorities issued an K8 billion (USD 436.9 million) economic stimulus package through a COVID-19 bond. The money raised from the bond was intended to dismantle arrears, pay off value added tax (VAT) refunds and liquidate outstanding pension arrears.

However, the funds that were released only accounted for less than 10 percent of the total domestic arrears of K32.4 billion (USD 1.8 billion) as at end of December, 2020. This meant that the economy still faced a problem of high payment arrears which had a negative bearing on liquidity.

In terms of response to the social sector, the treasury released K95.2 million (USD 5.2 million) and K93.8 million (USD 5.1 million) was spent as at 31 July, 2020. The government also received pledges and commitments from both local and international cooperating partners amounting to K6.4 billion (USD 355.5 million) over the same period, under the Epidemic Preparedness Fund.

2.2. Uganda – Large corporates received lion's share of support

Summary of the impact of COVID-19 and containment measures

The first case of COVID-19 in Uganda was registered in March, 2020. The government of Uganda started a series of lockdown measures, beginning with the suspension of public gatherings for 32 days and mandatory quarantining of travellers from overseas for 14 days. This was followed by a suspension of public transport, a mandatory curfew from 19:00 hours to 06:30 hours, and eventually a suspension of private transport, as well as employment and business activity.[xiii]

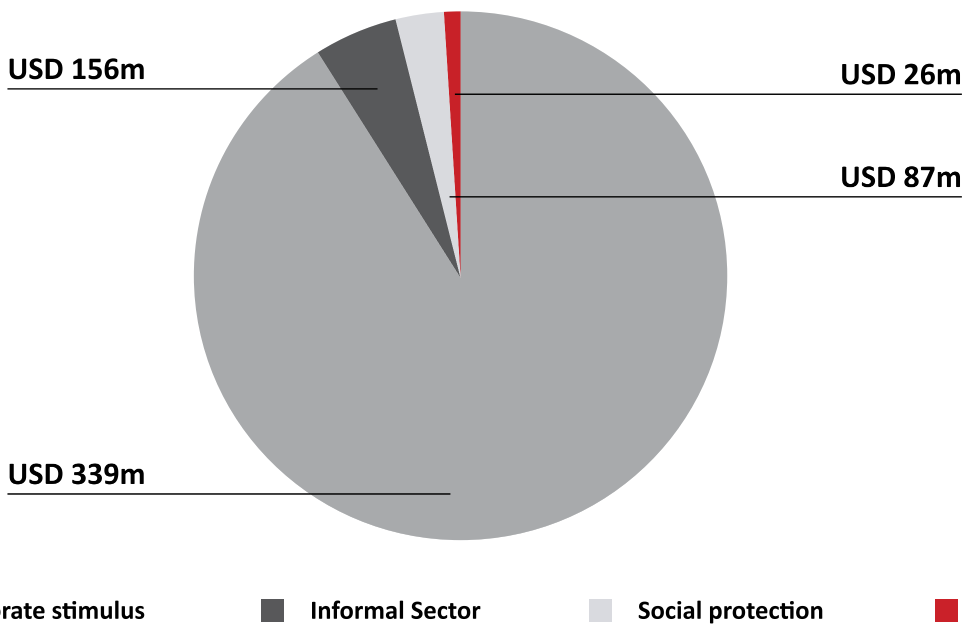
The lockdown measures, while important in curbing the spread of COVID-19, were not without consequence for the people whose livelihoods were suspended. The Ugandan Ministry of Finance projected the largest impact to be on the service sector.

Travel restrictions affected the tourism sector including hotels, accommodation, and transportation. Supply chain disruptions also hampered trade, and this was expected to continue until the virus was contained at global level.

Economic impact of COVID-19

As a result of the economic and business disruption caused by the pandemic, the government tax body registered a revenue shortfall of USD 1.01 billion below set targets performing at 82 percent in 2019/20. Close to three quarters of the shortfall amounting to USD 700 million was accumulated in the last five months of the FY 2019/20. The country is very likely to

Figure 9: Category of COVID-19 Allocations in Uganda



miss its projected revenue targets for the FY 2020/21 that had been revised to USD 5 billion. The COVID-19 pandemic mainly impacted international trade taxes due to the reduction in imports, as well as consumption taxes, namely: VAT and excise duty, due to the slowdown in the industry and service sectors. Faced with pressures to mobilise domestic revenues to finance recovery, the government has resorted to imposing new regressive taxes rather than thinking of innovative measures to broaden the tax base. The Finance Ministry is set to impose new taxes on fuel and internet usage in the coming FY 2021/22 for which SMEs may likely face the biggest brunt.

Safeguarding Measures

The government instituted several economic stimulus measures from April, 2020, aimed at directing support to the most affected sectors. The following measures were put in place:

- increased access to credit at Uganda Development Bank to offer low interest financing to manufacturing, agribusiness, and other private sector firms for which USD 290 million was to be provided over the medium term.
- increased funding to Uganda Development Corporation for public-private partnership investments to facilitate import substitution and export promotion (USD 40 million).
- provision for banks to restructure loans to their borrowers who were facing liquidity constraints (USD 2.17 billion).
- expedited the payment of arrears owed by government to private sector firms commencing July, 2020 (USD 190 million).
- provision of credit through SACCOs and Micro Finance Institutions to support micro and small-scale enterprises (USD 30 million).
- enhancement of provision of improved agricultural inputs using NAADS e-Voucher Scheme to farmers (USD 80 million).
- provision for Ugandan businesses to reschedule their contributions to the National Social Security Fund for three months without accumulating penalty for which a cumulative sum of USD 6 million worth of savings was made by businesses that participated.
- provision of seed capital to organised special interest groups under the Youth Fund, Women Entrepreneurship Fund and the 'Emyooga' Talent Support scheme (USD.70 million).[xiv]

The Ugandan Government also instituted several tax relief measures to further address the short-term emergency liquidity requirements of businesses, these included:

- a deferment on payment of corporate income tax or presumptive tax and PAYE for corporations and small, medium enterprises (SMEs) in the tourism, manufacturing, horticulture, or floriculture sectors for which payments to a tune of USD 220 million were deferred.
- waiver of all interest and penalties on tax arrears accumulated before 1 July, 2020, to lessen the tax liability of businesses that voluntarily complied with their tax obligations thus foregoing revenues worth USD 14 million.
- expedited payment of outstanding VAT refunds worth USD30 million; and
- provided for tax deductibility for donations made to coronavirus response.

As a result, Uganda experienced a shortfall of USD 40 million USD in tax revenue collections for the FY 2020/21.

Effectiveness of measures put in place

Despite the interventions undertaken by the government, a large proportion of taxpayers were unaware of these measures due to their delayed implementation by the Uganda Revenue Authority. Further, a large proportion of the economic response measures by the government was tailored to benefit large business corporate players, with only USD 180 million of Government direct fiscal spending, excluding tax subsidies and other deferred expenditures, going to SMEs and businesses within the informal sector. This only left USD 30 million and USD 160 million for SMEs and the informal sector respectively. These collectively represented only 6.1 percent of the total fiscal stimulus. Uganda's stimulus recovery package was in favour of corporations as compared to the marginalised communities who make up a big proportion of the economy and were badly impacted by the pandemic.

2.3. South Sudan – Limited capacity to provide COVID-19 relief measures

Summary of the impact of COVID-19 and containment measures

South Sudan has one of the weakest health care systems in the world, therefore, when the country recorded its first case of COVID-19 in April, 2020, putting in place precautionary measures was critical. The government put in place prevention, containment, and mitigation measures which restricted the movement of people between states and imposed a dawn to dusk curfew. In addition to this, restrictions were introduced on the number of persons allowed on vehicles and boda bodas (public motorcycles). The government, with support from the World Health Organisation (WHO), trained health care workers, building their capacity for COVID-19 case management and emergency response in the context of COVID-19.[xv]

The pandemic also contributed to the forecasted economic contraction of -4.4 percent. Apart from foreign aid, South Sudan's economy is heavily reliant on two main contributors to GDP: oil production and agriculture. Both these sectors were negatively affected by the COVID-19 pandemic, resulting in a negative effect on the economic growth and livelihoods of those dependent on them.

Economic impact of COVID-19

Prior to the advent of the pandemic, economic growth had accelerated with real GDP growth estimated to stand at 9.5 percent in FY 2019/20, building on an estimated 3.2 percent growth recorded in FY 2018/19. However, driven by the decline of both the oil and non-oil sectors, and several concurrent shocks including COVID-19, South Sudan's economic growth was expected to contract by -4.1 percent, according to the June 2021 World Bank economic update for the country.[xvi] South Sudan's fiscal position deteriorated significantly, with the overall FY 2019/20 cash deficit standing at -9.6 percent of GDP, compared to the budgeted level of -3.2 percent. The deterioration in the fiscal position resulted from a combination of factors, including a decline in oil revenues, and increased capital spending. Oil revenues are estimated to have declined to about 24 percent of GDP in FY 2019/20, down from 26 percent of GDP in FY 2018/19.[xvii] Oil and agriculture, the main contributors to economic growth were projected to decline by 2.9 percent. The oil sector saw a decline from 62.1 million barrels realised in FY 2019/20 to 60.2 million barrels in FY 2020/21.

Safeguarding Measures

In terms of fiscal measures in response to the pandemic, the government established a COVID-19 fund of USD 8 million, of which USD 5 million was allocated to the Ministry of Health. The government also redirected a USD 7.6 million grant from the World Bank to UNICEF and the International Committee of the Red Cross (ICRC) to purchase items for COVID-19 prevention and treatment.

In terms of monetary and macro-financial measures, on April 24, 2020, the Bank of South Sudan (BSS) cut the central bank rate by 2 percentage points, from 15 percent to 13 percent, and reduced the reserve requirement ratio from 20 percent to 18 percent. The cash reserve ratio is the minimum fraction of total deposits from customers that commercial banks must hold in either cash or deposits. According to the central bank, the downward revision was geared towards reducing the overall cost of financing for the private sector and releasing additional cash to commercial banks, with the aim of spurring economic activity during the COVID-19 pandemic.

On July 7, 2020, the BSS introduced additional measures to mitigate the impact of the pandemic: it further cut the central bank rate by 3 percentage points, down to 10 percent, further reduced the reserve requirement ratio to 10 percent, and suspended the recent regulation of higher minimum paid-up capital for commercial banks. BSS also reiterated that the South Sudanese Pound (SSP) is the only legal tender of domestic debt payments and encouraged banks to restructure loans if needed.

The central bank also indicated that it was encouraging banks to work with borrowers to restructure loans as the oil-producing economy was struggling due to the COVID-19 crisis. Restructuring these loans would ideally mean making lower monthly repayments each month, freeing up cash for operating capital thereby avoiding business closure.

Despite the measures put in place by the central bank, on November 6, 2020, the BSS increased the central bank rate to 15 percent and the reserve requirement ratio to 20 percent, fully reverting the earlier monetary policy loosening in response to the pandemic.[xviii]

The pandemic also had a negative effect on South Sudan's precarious debt. In 2015, a short-term trade facility provided by the Qatar National Bank (QNB) fell into arrears, and South Sudan's debt was assessed to be unsustainable. Since 2016, South Sudan's experienced a sharp economic contraction due to the civil war and high levels of fiscal spending, this was exacerbated by the COVID-19 pandemic in 2020. In response, in July 2020, the South Sudanese government reached a debt-restructuring agreement with QNB. South Sudan's debt risk rating subsequently improved from debt distress to high risk in October 2020 due to the restructuring of the country's commercial debt with QNB which accounts for 46 percent of external debt. In light of South Sudan's constrained fiscal space, the government seemed to have limited capacity to provide fiscal relief.

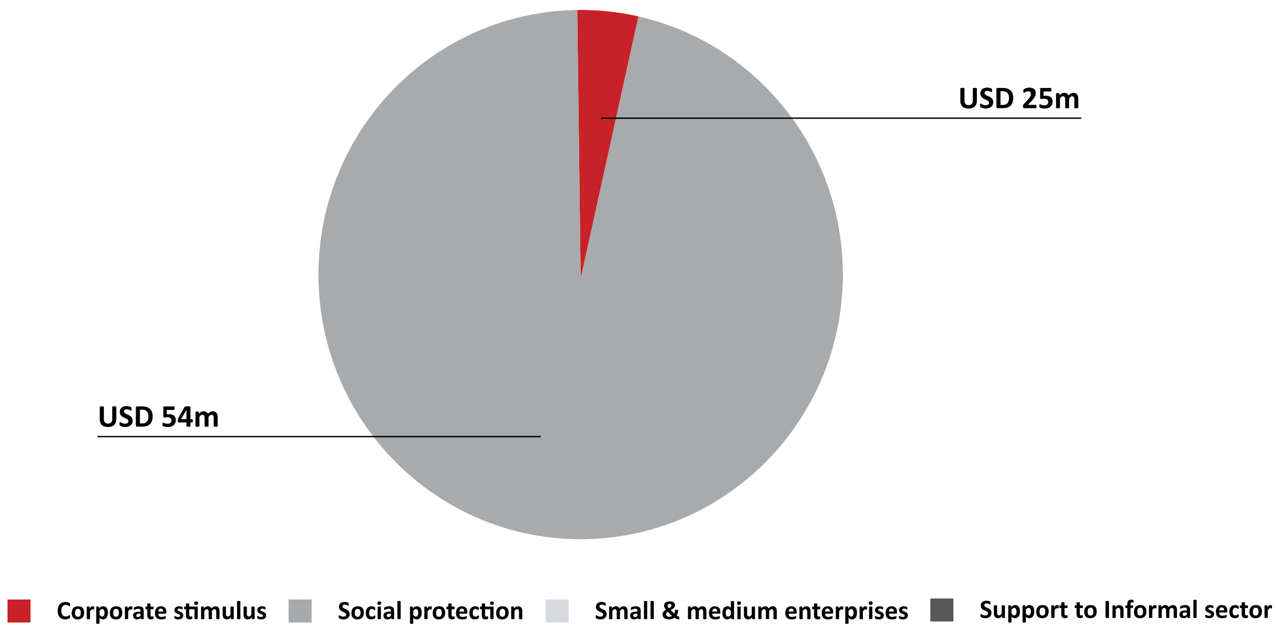
2.4. Malawi – No support for SMEs and the informal sector

Summary of the impact of COVID-19 and containment measures

Over the past few years, Malawi's government budgets have been characterised by shortfalls in tax revenues due to the worsened economic outlook and significant critical spending needs, including in health care, social assistance to the most vulnerable, and to ensure future food security. Given a widening fiscal deficit currently at 8.3 percent of GDP, the stock of public debt has increased to 67.3 percent of GDP. The fiscal deficit saw a further widening due to a slowdown in revenue collection as a result of the COVID-19 pandemic, combined with increasing spending pressures from response to the pandemic and debt service costs. In addition to this, Malawi is at high risk of overall debt distress and moderate risk of external debt distress, with limited space to absorb shocks.[xix]

Despite the limited revenue collection, the government announced stimulus packages to cushion its citizenry from the impact of the COVID-19 pandemic, and to stimulate the economy given the possible negative implications on economic and social activity. Stimulus policy measures valued at USD 213 million were availed. This included USD20 million (0.25 percent of GDP) in spending on health care and targeted social assistance programs as well as hiring 2000 additional health care workers. However, most of the

Figure 10: Category of COVID-19 Allocations in Malawi



stimulus policy measures that were introduced focused on the private sector, especially the commercial banks, to cushion them from the impact of the pandemic by injecting liquidity into the economy.[xx]

The allocation towards social protection was small as it only targeted 172,000 households in the peri-urban areas, which was only 21 percent of the peri urban households, and 4 percent of the national household size.

Economic Impact of COVID-19

Malawi launched a national COVID-19 Preparedness and Response Plan with a budget of USD 212 million with the International Monetary Fund (IMF) approving debt service relief of USD 9.8 million for Malawi in April, 2020, and a further USD11 million in April, 2021.[xxi]

Prior to the COVID-19 crisis, Malawi's economy was on a high growth path and most of the sectors were expected to maintain good performance. The economy was projected to grow by 5.5 percent in 2020, with growth driven by agriculture, manufacturing, mining and quarrying, electricity and water supply, information and communication, and financial and insurance services. However, the outbreak of COVID-19 saw Malawi's economy slowdown in 2020, and GDP growth fell to 0.6 percent in 2020.[xxii]

In response to the health crisis, the authorities adopted measures including strengthening the health care system, stepping up social spending, ensuring food security, and easing liquidity constraints in the banking system. The public deficit increased from 6.9 percent of GDP in 2019 to 8.3 percent of GDP in 2020 and is expected to reach 13 percent of GDP in 2022. As a consequence, public debt also increased, from 59.5 percent of GDP in 2019 to 67.3 percent of GDP in 2020. It is expected to further increase to 76.8 percent of GDP in 2021 and 79.9 percent of GDP in 2022.

However, Malawi benefited from increased foreign aid and debt service suspension. Inflation remained stable at 8.6 percent in 2020 and is expected to slightly increase to 9.5 percent in 2021 before declining to 7.7 percent in 2022.

Measures to safeguard

Economic Measures

Malawi developed a national COVID-19 response plan worth USD 375.5 million (MWK 276.74 billion). The government's response plan includes USD20 million (0.25 percent of GDP) in spending on health care and targeted social assistance programs, including the hiring of 2000 additional health care workers. An Emergency Cash Transfer Program of about USD50 million (0.5 percent of GDP), mostly financed by development partners, is being implemented.

The response plan is being funded by local and international organisations as well as private and public institutions.[xxiii] As of 30 June 2020, USD 95 million (MK 75.602 billion) had been mobilised against an estimate of USD 375 Million (MK 276.743 billion) required to fund the national COVID-19 response plan. Of the USD 95 million (MK 75.602 billion) mobilised, the government of Malawi contributed cash amounting to USD 9.7million (MK 7.718 billion) while local and international organisations including individuals contributed USD 216 thousand (MK 171 million).

In an effort to ease the adverse impact of the COVID-19 pandemic on domestic economic activity and the financial sector, the government put in place several stimulus policy measures. These included applying tax waivers on tourism, mobile money transfers and the importation of essential goods for coronavirus management.

Amidst the economic response to COVID-19, tax revenue collection has underperformed. Tax revenue collection in 2019/2020 was projected at USD 1.798 million (K1,425.1 billion). The year-end preliminary outturn was USD 1.386 million (K1,098.6 billion) thereby underperforming by USD 412 million (K252.9 billion) which is 23 percent.[xxv]

Social security response to COVID-19

The socio-economic impact of the COVID-19 pandemic is increasing poverty and inequality, particularly in the urban areas of Lilongwe, Mzuzu, Blantyre and Zomba, where the services and industry sectors have been hit hard. COVID-19 has had significant social and economic impact on women who dominate the informal sector. A Malawi government-led COVID-19 rapid assessment on teenage pregnancies and child marriages indicates that the country has recorded 13,000 cases of child marriages and over 40, 000 cases of teen pregnancies during the COVID-19 period which shows a 11 percent increase in teenage pregnancies in the period of March to July 2020 compared to the same period in 2019.[xxvi]

Consequently, as a stimulus package to respond to these issues, the government announced an emergency cash transfer program that targeted around 172,000 households and small businesses in the peri-urban areas of Malawi's four main cities, namely Lilongwe, Blantyre, Mzuzu and Zomba. Approximately 160,000 households in the four cities received cash transfers of K35,000 each for 3 months between January and April 2021. So far USD 11.9 million (K9.5billion) has been disbursed to beneficiaries. In addition, the Government also provided cash top-ups to existing beneficiaries of the Malawi Social Cash Transfer Programme (MSCTP, commonly known as Mtukula Pakhomo) in all the 28 districts of the country. Beneficiaries in rural areas received a temporary top-up of MWK 5,000 (USD 6) for 4 months.

Government, through the National Economic Empowerment Fund (NEEF), is also disbursing loans to cushion SMEs from the impact of the pandemic. Total loan portfolio stands at USD50.4 million (K40 billion) and is expected to increase to USD 94.5 million (K75 billion) in fiscal year 2020/2022.

Conclusion

Malawi needs to develop a comprehensive social support system which should be inclusive, including all the target groups. An Emergency Cash Transfer Program of about USD 50 million (0.5 percent of GDP), mostly financed by development partners was significantly below the amount that was required to support the vulnerable.

Currently, the available finance to deal with COVID-19 is inadequate to cushion citizens from the financial and social impacts of the pandemic. There is need for more social protection initiatives at country level that directly benefit the citizens. Government should leverage its social protection program as cash transfers in response to the COVID-19 shock.

2.5. Zimbabwe – Significant expenditure on social protection but minimal amounts per household

Summary of the impact of Covid 19 and containment measures

As part of the response to the COVID-19 pandemic, the government of Zimbabwe ordered partial or complete 'lockdowns,' depending on the severity of COVID-19 cases, and closed the informal sector (except agriculture and farmers' markets and some manufacturing) which the majority of Zimbabweans depend on for income. Given the context within which the COVID-19 stimulus package was announced and effected, Zimbabwe's response should be interrogated with the understanding that the country was already plagued by other socio-economic stresses. The stimulus provided by the government was aimed at resuscitating business; as only 13.3 percent of the stimulus package - ZWL2.4 billion (US$ 24 Million) of the global stimulus of ZWL 18.2 billion (US$ 18.2 Million,) went towards direct social protection. The bulk of the stimulus (about ZWL 10 billion) went towards supporting agriculture while the rest went into industry, particularly small and medium sized enterprises.

Economic Impact of COVID-19

With a GDP per capita of USD 1, 128, the advent of COVID-19 and the national lockdown which became an international feature exacerbated the plight of the majority of low income people and those employed in the informal sector.[xxviii] In addition, the public health response measures to contain the pandemic have shown that, while necessary, they have also led to a disruption of economic activities and livelihoods resulting in increased poverty and vulnerability.

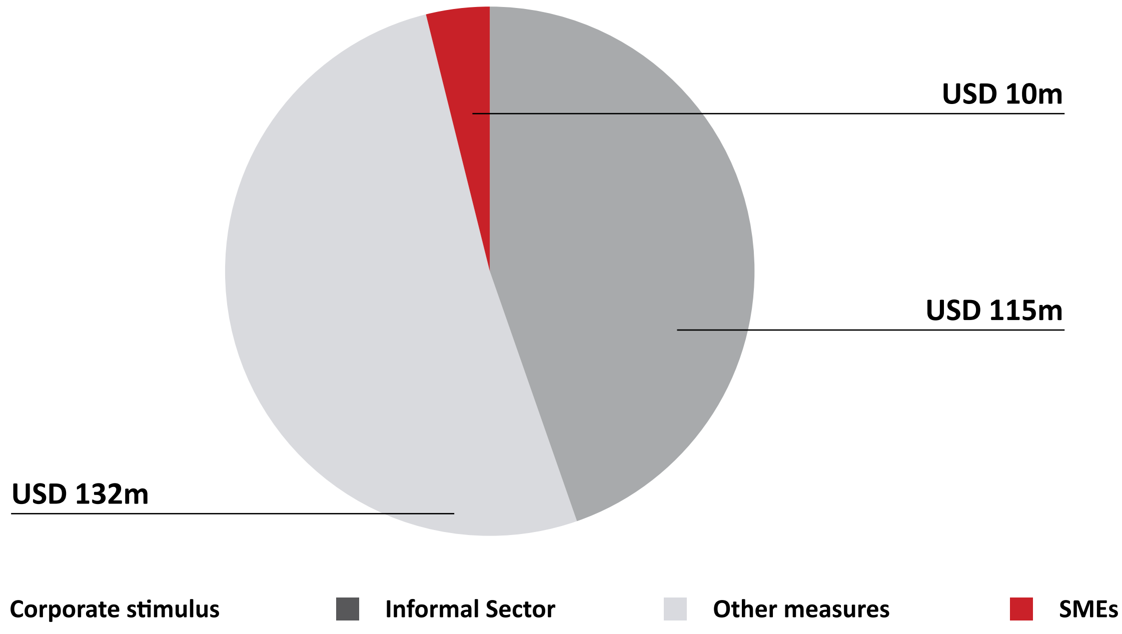
The COVID-19 pandemic took place against the backdrop of difficult macro-economic environment and climatic shocks brought by Cyclone Idai and recurrent droughts. Thus, the obtaining conditions even before the COVID-19 pandemic meant that an overwhelming majority of the population was at risk thereby necessitating social safety nets.

Measures to safeguard

Economic Response

On 30 March, 2020, the government of Zimbabwe through the Ministry of Finance and Economic Development issued a statement that it was putting aside ZWL 500 million (about USD 5 million) towards supporting efforts to curb the spread

Figure 11: Category of COVID-19 Allocations in Zimbabwe



of COVID-19 and mitigate its effects with a further ZWL 50 million (about USD 500 000) targeted at the Premier Service medical Aid Society, the health insurer for government employees.[xxx]

The announcement was followed by another announcement of a much larger package of ZWL 18.2 billion (about USD 180 million).[xxxi] This economic recovery and stimulus package was said to be aimed at revitalising the economy and providing relief to individuals, families, small businesses and industries impacted by the economic slowdown caused by the COVID-19 pandemic.

Development partners such as the European Union released USD 40 million towards the Health Development Fund (HDF) to augment the initial USD 138 million that had been committed just before the pandemic struck. The funds which were administered by UNICEF, were meant to complement the Government's effort in the fight against COVID-19.[xxxii]

Despite the large sums of money mentioned in the stimulus packages by government, submissions by the Confederation of Zimbabwe Industries (CZI) and the National Chamber of Commerce indicated that companies and other private sector entities had not accessed any funding under the rescue package by October, 2020.

Further, the Finance Ministry did not account for how the fiscal resources to support the ZWL 18.2 billion package were raised, creating suspicions that the government planned on "printing electronic money" to finance the package.

Social Security Response

To cushion vulnerable members of society, the government allocated ZWL$ 2.4 billion (USD 24 Million) for COVID-19 cash transfers. By 1 December, 2020, about 202 077 beneficiaries were registered in the database and were already receiving allowances. At the rate of ZWL$ 300 (USD 3) per household per month, the treasury reportedly disbursed ZWL$ 98 million (USD 9.8 Million) through the Ministry of Public Service, Labour and Social Welfare towards vulnerable households. This amount was, however, too low and could only be enough to buy 3 loaves of bread and a tin of beans.

The figures reveal that urban dwellers received most of the funding under the relief package. These were most affected by the lockdown measures in towns. In the health sector, the government allocated ZWL 739 million (USD 7.39 Million) to the Ministry of Health and Child Care to fund various interventions.[xxxiv]

In addition, in order to counter hyperinflation, the government increased civil servants' salaries and pensions by 50 percent, and from June, 2020, it started paying USD 75 to civil servants and USD 30 to pensioners as COVID-19 allowances.

The government of Zimbabwe also introduced amendments to the employment tax rates with increases in the tax-free threshold from ZWL 2,000 to ZWL 5,000 per month and the highest tax band at the rate of 40 percent on income over ZWL 100,000 per month effective 1 August, 2020.[xxxv]

Table 2: COVID-19 Transfers to Households as at October 13, 2020

Province	Beneficiary Households	Amount ZWL$
Harare	91,468	24,753,147
Mashonaland West	13,130	3,066,022
Manicaland	18,349	3,959,952
Matabeleland North	3,586	707,692
Mashonaland East	5,273	1,119,560
Midlands	8,123	1,500,088
Matabeleland South	7,270	1,448,199
Mash Central	10,085	1,820,847
Mavingo	14,113	2,548,102
Bulawayo	30,680	8,120,114
Total	**202,077**	**49,043,722**

Source: Ministry of Finance and Economic Development, 2020.

The provision of public health information was also critical as part of the social policy response and so the government in partnership with UNICEF, established a COVID-19 information centre that would provide the public with regular updates on facts, prevention and containment information pertaining to COVID-19.[xxxvi]

Effectiveness of measures put in place

Zimbabwe's stimulus package was meant to offset the expected shock to the economy, however, it was largely aimed at resuscitating business, as only 13.3 percent of the ZWL 2.4 billion of the global stimulus of ZWL 18.2 billion went towards direct social protection. The bulk of the stimulus (about ZWL 10 billion) went towards supporting agriculture while the rest went to industry, particularly small and medium sized enterprises. While this amount went to agriculture, compared to previous years, the amount did not increase as would have been expected in order to boost the economy.

Beyond the support given to households through cash transfers, the government did not provide disaggregated data on how funds from the package were disbursed. This cast doubt on the transparency of the package given the government's chequered past or worse still, whether the funds were disbursed at all.

Overall, the information disclosure by the government on its COVID-19 expenditures was minimal and made it difficult to evaluate the social policy and government's performance in reacting to the COVID-19 pandemic.

2.6 Ghana

Summary of impact of COVID-19 and containment measures

On 30 March, 2020, the Minister of Finance presented a statement to the Parliament of Ghana on the Economic Impact of the COVID-19 Pandemic on the Economy of Ghana. The Ministerial statement showed that the fiscal impact of the pandemic was likely to be a significant slowdown in Ghana's GDP growth, significant shortfalls in petroleum revenues, shortfalls in import duties, shortfalls in other tax revenues, increased health expenditures, and tighter financing conditions with consequences on the 2020 Budget.[xxxvii]

The Government estimated that it would require an additional USD 2.6 billion (4.1 percent of GDP) in 2020 to close the financing gap created by the shock. This would be achieved through a combination of additional financial support from multilateral, bilateral partners and domestic sources, including lowering the Ghana Stabilization Fund threshold from USD 300 million to USD 100 million and using the excess of the cap amounting to about GH¢ 1,204 million (USD 211.2 million) to fund the COVID-19 Alleviation Programme 1 (CAP1). Consequently, the Minister in his Mid-Year Budget Review Statement, projected real GDP growth for 2020 to be revised considerably downwards from 6.8 percent to 0.9 percent.[xxxviii]

The COVID-19 pandemic was a major reason for revenue shortfalls in the 2020 fiscal year. The Mid-Year Review reported total revenue and grants of GH¢ 22.0 billion (USD 3.8 billion) for January to June, 2020, compared to the programme target of GH¢ 29.7 billion (USD 5.2 billion). This represents a shortfall of 26 percent or a performance rate of 74 percent. While the COVID- 19 pandemic led to a shortfall of revenues amounting to GH¢ 13.6 billion (USD 2.3 billion), expenditure was overshot by GH¢ 11.7 billion in 2020.

The Trades Union Congress (TUC) of Ghana reported that the pandemic triggered losses in employment in both the formal and informal segments of the economy.[xxxix] In addition, the Bank of Ghana reports that growth in investments, consisting of bills, securities, and equity fell to 7.2 percent in February, 2020, this was 33.3 percent in February, 2019.[xl]

Economic impact of COVID-19

The country's economy was projected to contract from a projected outturn of 6.7 percent to 4.9 percent in 2020.[xli] However, national revenues have largely remained at about 13 percent of GDP since 2018 when the economy was rebased. The Government has, therefore, resorted to increases in taxes to curtail the shortfalls in revenues. The budget deficit is projected at 8.3 percent in 2021, up from 4.5 percent in 2019. The Government's fiscal operations resulted in a cash basis deficit of GH¢ 24,345 million (USD 4.2 billion), or 6.3 percent of GDP, compared to the programme target of GH¢ 11,794 million (USD 2.0 billion), or 3.1 percent of GDP for January to June, 2020 cumulatively.[xlii]

The 2020 annual budget projected non-oil tax revenue of 11.3 percent of GDP. However, by the mid-year review in 2020, it amounted to 4.3 percent of GDP. This was a drop of 16.2 percent below the programme target of 5.2 percent of GDP. This scenario was even worse for the oil revenues as a result of plummeting world oil prices, hence a heavy toll on government revenues. The Government is looking to increase its total debt portfolio of about USD5 billion in 2021 to fund its development agenda. Hence, maintaining a fiscal consolidation stance and staying on a sustainable path would be a challenge in 2021.

The national debt is currently at about 79 percent of GDP with almost two-thirds of tax revenues encumbered to debt services.[xliii] The country is therefore, at a high risk of debt distress. The overall real GDP growth (including oil) for 2019 was 6.5 percent, which was slightly lower than the revised projection of 7.0 percent in mid-2019. However, overall real GDP grew by only 4.9 percent in the first quarter of 2020, compared to 6.7 percent in the first quarter of 2019. This was as a result of lower revenue performance against the programme target and higher expenditures compared to the target, all attributable to the impact of the COVID-19 pandemic.

Measures to safeguard

Economic Response to COVID-19

Ghana was a beneficiary of the G20's announced debt payment suspension (DSSI) for eligible countries. The Ghanaian Government secured a USD1billion concessionary loan from the IMF and another USD 100 million respectively, with which it provided various types of support to businesses and families.

Table 3: Forms of Support to Businesses and Households in Ghana

	Expenditures	Amount (GH¢/ million)	USD/million
1	COVID-19 preparedness Plan 1 & 2	1,342.00	USD 235.4
2	Health infrastructure	600.00	USD 105.2
3	Allowance to frontline health workers	80.00	USD 14.0
4	Sanitation/market fumigation	220.00	USD 38.5
5	Support to households	44.00	USD 7.71
6	Relief on water bills	560.00	USD 98.2
7	Relief on electricity bills	1,108.00	USD 194.3
8	Soft loans to MSMEs	700.00	USD 122.8
9	Food security	120.00	USD 21.05
10	Stimulus through accelerated payment of claims	1,310.00	USD 229.8
11	Governance and security	1,106.00	USD 194.0
Total		**7,190.00**	**USD 1,261.4**

Source: Author's compilation

The following tax measures were put in place to support businesses and citizens against the burdens caused by the pandemic:

- Extension of due dates for filing of income Tax returns from four (4) to six (6) months after the end of the basis year.
- Remission of penalties on principal debts to taxpayers who redeemed their outstanding debts due the Ghana Revenue Authority (GRA) up to 30th June, 2020.
- Allowance of contributions and donations towards COVID-19 as deductible expenses for income tax purposes.
- Waiver of Value Added Tax, National Health Insurance Levy and Ghana Education Trust Fund (GETFund) Levy on donations of stock of equipment and goods for fighting the COVID-19 Pandemic.
- Waiver of income taxes on Third-Tier Pension withdrawals.
- Waiver of income tax on personal emoluments of all health workers for the period April, 2020 to September, 2020.
- Waiver of income tax on 50 percent additional allowances paid to staff of frontline health facilities for the period March, 2020 to September, 2020.

The Government secured additional support from development partners such as, IMF and AfDB, totalling USD 1. 7 billion which helped to address the urgent fiscal and balance of payments needs of Ghana and also improved confidence in the Ghanaian economy. The funds were obtained as follows:

- GH¢ 5.7 billion (USD 1billion) from the IMF Rapid Credit Facility.
- GH¢ 570 million (USD 100million) from the World Bank Support for COVID-19 Preparedness & Response support.
- GH¢ 406 million (USD 71 million) from the African Development Bank.
- GH¢ 2.0 billion (USD 350 million) from the World Bank as Budget support through the DPO.
- GH¢ 1,204 million (USD211.2million) Ghana Petroleum Funds (The Stabilisation Fund).

As a result, the Government announced the following measures in support of businesses and individuals:

- The CAP Business Support Scheme (CAP Buds) of GH¢ 750.0 million (USD 131.6 million) was designed to support Micro, Small and Medium-sized Eenterprises (MSMEs), a soft loan scheme with a one-year moratorium and two-year repayment period for MSMEs. So far in December about GH¢ 412.8 million (USD 72.4 million) has been disbursed to about 277,511 businesses of which 69 percent are female owned.[xliv]

- The education sector was one of the hardest hits by the Pandemic. To ensure an incidence free reopening of schools, Government provided about 11.5 million hand sanitisers, 23 million face masks, 62,000 buckets, 3.5 million packs of paper towels and 85,000 liquid soaps for schools.

In addition, the government reversed the Communication Service Tax (CST) from 9 percent to 5 percent with effect from September 2020. This was also meant to reduce the burden of the increased use of telecommunications during the pandemic.

Furthermore, through the Bank of Ghana, the Government responded to the COVID-19-related challenges in the Banking sector with policy measures to cushion businesses and the economy. These include the following policy measures:

- lowering the monetary policy rate by 150 basis points to 14.5 percent.
- reducing the Primary Reserve Requirement from 10 percent to 8 percent to provide more liquidity to banks to support critical sectors of the economy.
- reducing the Capital Adequacy Requirement from 13 percent to 11.5 percent.
- providing a syndication facility of GH¢ 3.0 billion to support industry, especially in the pharmaceutical, hospitality, service and manufacturing sectors.
- granting of six-month moratorium of principal repayments for selected businesses. reducing interest rates based on the Ghana Reference Rate (GRR) by 200 basis points (2 percent per annum).

Social Security response

The immediate action by the Government of Ghana was to tackle the worst affected geographic areas in Greater Accra, including Kasoa and Greater Kumasi where lock-down measures were immediately put into action.

Some of the immediate pro-poor measures included:

- The provision of free water (about 14.33 million cubic metres) supplied by the Ghana Water Company Limited (GWCL) to about 10 million Ghanaians between April to December 2020.
- The provision of over 2.7 million cooked food packs to the vulnerable and underprivileged people in the two worst hit cities (Accra and Kumasi). And also distribution of dry food packages to about 470,000 households during the partial lock-down between March, and April, 2020. These cost about GH¢ 54.3 million (USD 9.5million).
- Transfers of GH¢ 50.2 million were made to the 400,000 most-vulnerable individuals under the Livelihood Empowerment Against Poverty (LEAP) programme.
- Rollout of the Operation Return Home Programme Involving 2,250 individuals covering the full cost of flight and mandatory hotel quarantine.
- Mobilisation of local industries to produce and ensure adequate supply of critically needed inputs to fight the pandemic.
- Procurement of PPEs consisting of 50,000 hospital scrubs costing GH¢ 6 million (USD 1.05 million) and 90,000 medical gowns and caps valued at GH¢ 6.75million (USD 1.18 million) produced by the local textile firms.
- Provision of 5 million face masks and 10 million face masks to frontline health workers and schools, respectively, at a cost of GH¢ 65million (USD 11.4 million).
- Provision of hand sanitizers, veronica buckets, paper towels, liquid soaps from local manufacturing industries for distribution to the health and education sectors in particular.
- Subsidised electricity consumption for 1 million lifeline consumers and 50 percent of the consumption of other customers worth about GH¢ 150million (USD 26.3 million) between April-December 2020.

Effectiveness of measures put in place

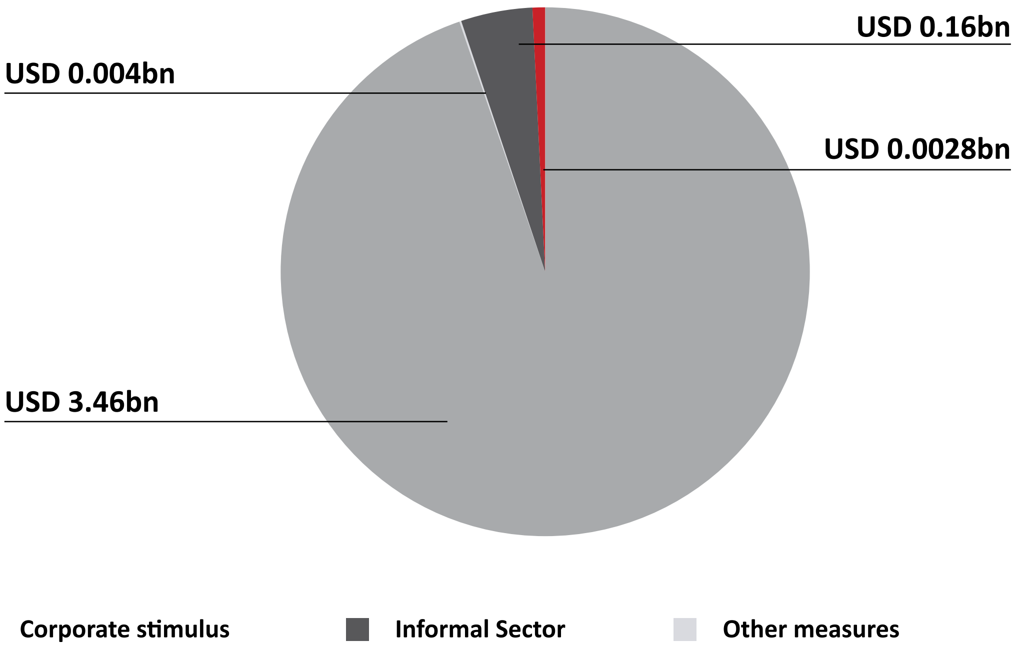
Ghana's provisional debt stock as at end of June, 2020 was GH¢ 258,372.8 million (USD 45,566.81 million), which represents 67 percent of GDP. The IMF admits that the assistance will not change Ghana's risk of debt distress rating as the debt is expected to rise from 63.2 percent of GDP at end-2019 to 68.7 percent of GDP at end-2020, driven by a wider fiscal deficit and lower GDP. This means that Ghana must intensify its domestic revenue mobilisation efforts in order to raise more revenue post-COVID-19. The pandemic cost the Ghanaian economy a total of GH¢ 8.1 billion (USD 1.4 billion). This is in addition to mounting public debts. Despite the numerous benefits of the COVID-19 donation-based tax incentives, there are associated costs to Government revenues,especially where corporate bodies see this as an opportunity to reduce their tax liabilities. This may affect Government revenues in the coming years.

About 90.6 percent of all donations (tax free) from individuals and private institutions (representing USD 11.6 million), came from corporate institutions which, would be lost, because these donations are tax deductible. It is also impossible to ascertain the full cost without being able to determine all the types of donors, however, some donors gave in anonymity. This provides the incentive for corruption, especially where some donations came in kind (goods) which may require valuation.

2.7. Kenya – Short-term Progressive Spending with Insufficient Response

Kenya's first COVID-19 case was reported on 13th March, 2020. A countrywide, night-time curfew became effective on 27th March, 2020, with all movement prohibited for persons who were not authorised as medical or health personnel, or persons visiting essential shops and services. Informal workers, comprising 83 percent of the population, bore the brunt of the COVID-19 Pandemic, as many lacked savings

Figure 12: Category of COVID-19 Allocations in Kenya



or access to social protection. Data is limited regarding the overall impact in terms of poverty and inequality (which previously had shown some signs of decreasing.)[xlvii]

Economic growth was steady in the years prior to 2020, accompanied by increasing inequality with Kenya's Gini coefficient reaching 41.6 in 2018. By 2020, the gap between the economically richest and economically poorest reached extreme levels. Less than 0.1 percent of the population (8,300 people) had more economic wealth than 99.9 percent of the population (more than 44 million people). The vast income disparity makes a case for solidarity taxes.

The Kenyan Government's response to the economic fallout caused by COVID-19 Pandemic was swift. There were 2 phases: Firstly, the response package, amounting to just 0.19 percent of GDP; Secondly, the stimulus plan for a longer-term recovery. The WB provided US$ 50 million in immediate funding to support Kenya's COVID-19 Emergency Response Project.[xlviii] Arguably, these loans were used to pay for government debts and fund government expenditure. Due to lack of transparency of how funds were spent, there were calls in 2021 to decline additional IMF loans since most Kenyans have not benefitted from these loans.[xlix]

Measures to safeguard the Kenyan economy included several tax reductions, namely, 100 percent tax relief for Kenyans earning gross monthly income of up to Ksh 24,000 which benefitted many on low incomes. There was also a cut in corporation tax from 30 percent to 25 percent. Turnover tax rates (for MSMEs) were reduced from 3 percent to 1 percent; this unimplemented move was controversial and seen as punitive since the proposed tax was to be paid whether there was a profit or not.[l]

A VAT reduction (from 16 percent to 14 percent) was perhaps the most beneficial measure for Kenyans on low incomes. However, prices tended not to adjust immediately due to retailers maintaining prices. As a result of this measure, revenues foregone amounted to Ksh 49.5 billion per quarter or about Ksh 150 billion until December, 2020 when the tax relief ended. Noted, in December, 2020, Kenyan lawmakers voted to halt tax cuts, stating that more is needed to help Kenyans impacted by the COVID-19 Pandemic. The tax cuts were the largest single element of the Kenya's COVID-19 response.

Kenyan President, Uhuru Kenyatta, also launched an 8-point economic stimulus programme[lii] worth Ksh 53.7 Billion (or 0.51 percent of GDP) aimed at benefitting Kenyans on low incomes and sectors that employ large numbers of women. As a result, this programme created employment for young people, SMEs, public services, and infrastructure (see table 4).

Our research suggests that despite measures implemented to replace lost incomes targeted at vulnerable groups, for example, women, persons living with disabilities, elderly persons, the response proved inadequate. Many people who had taken out domestic loans struggled to make repayments.

Table 4: COVID-19 Recovery Spending Measures

Spending item or area	Value (in Ksh bn)
Hiring of local labour for rehabilitation of access roads and footbridges	5
Hiring of teachers and information, communication and technology interns to support digital learning and acquisition of locally-made desks	6.5
To fast track VAT refunds and other pending payments to SMEs.	10
Seed capital for SME Credit Guarantee Scheme.	3
Expanding of bed capacity in public hospitals and hiring of 5,000 additional healthcare workers for 1 year	1.7
Supplying of farm inputs through e-vouchers which targeted 200,000 small scale farmers	3
Assisting flower and horticultural producers to access international markets.	1.5
Supporting the hotel industry	3
Engaging community scouts and conservation workers	2
For flood control measures	1.0
Greening Kenya Programme	0.54
Rehabilitating wells, water pans, and underground tanks in arid and semi-arid areas	0.85
Purchasing locally manufactures vehicles in support of the 'Buy Kenya Build Kenya' programmes	0.60
Total	**53.7**

Source: Government of Kenya[liii]

By January, 2021, for example, the number of loan defaulters had risen to Ksh 14,035,718 (*from Ksh 9,673,258 in August, 2020*)[lv]. Remittances from abroad kept many families alive as jobs and other sources of income stopped.

Social protection was also scaled up. Kenya also expanded its public works programme during the COVID-19 Pandemic, namely the Jobs in the Neighbourhood Initiative, where almost 40,000 youth- -living in Nairobi's slums and informal settlements - contributed to street cleaning, fumigation, disinfection, garbage collection, bush clearance, and drainage unclogging services. Thus far, daily wages are about $6 per day, delivered via the Mpesa mobile money transfer platform.[lvi]

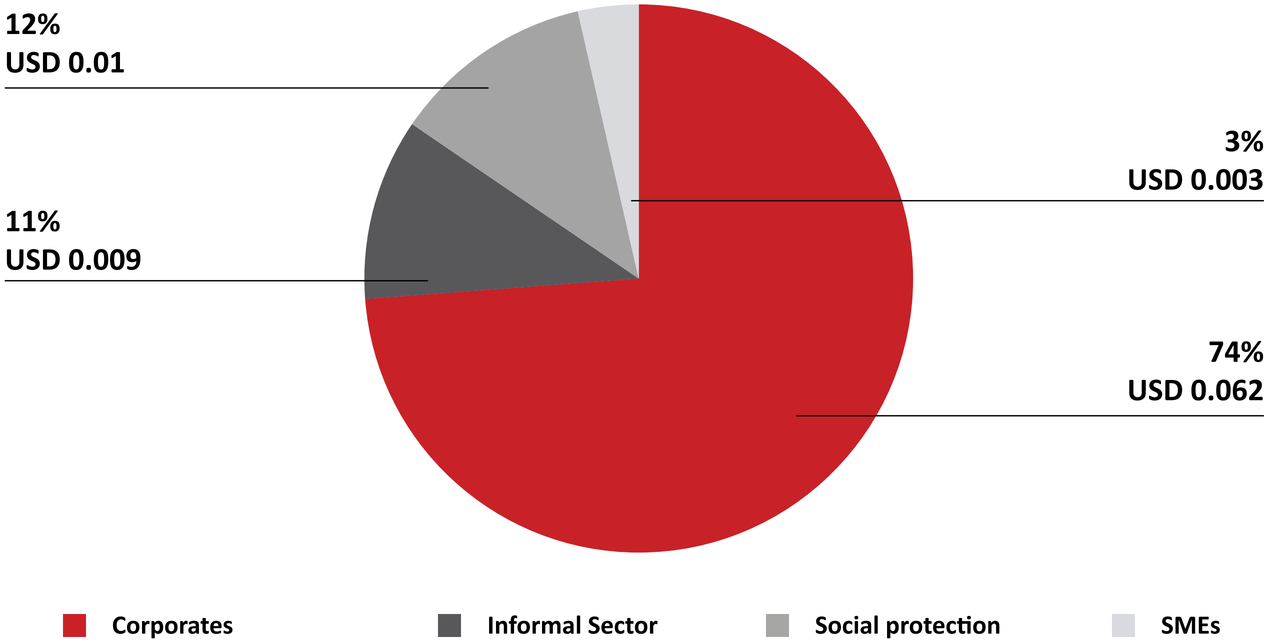
In Kenya, there was an increase in social protection grants to elderly persons, persons living with disabilities, among others. The existing cash transfer programmes were increased in terms of the support provided, targeting over 1 million people, specifically, for economic support for elderly persons and orphans. However, these only amounted to Ksh 400 million in additional spending and thus they were much lower than the measures targeted towards the business sector.

Additionally , to cushion the economic effects of COVID-19 Pandemic, the Ministry of Labour and Social Protection made available an additional Ksh 10 billion for cash transfers. This was a continuation of the Inua Jamii cash transfer programme. On 19th February, 2021, it was reported that Inua Jamii cash will give Ksh 8.7 billion to 1.1 million Kenyans, arrears for the previous year.

2.8. Sierra Leone – Some Ebola Lessons Learned with Slow Implementation

In Sierra Leone, the devastating Ebola epidemic of 2014 prompted the government to take early action including raising awareness about the epidemic and encourage its

Figure 13: Category of COVID-19 Allocations in Sierra Leone



citizens to observe health protocols. As with many other national responses, support for social protection was a very small proportion of the overall country expenditure, however, there was a strong focus to support SMEs with some support for tackling youth unemployment.

The COVID-19 Pandemic occurred against a backdrop of lower than usual crop production, in part because of climate extremes which had increased food prices in 2020[lvii]. This necessitated the preparation of the 2020 Supplementary Budget aimed at saving lives /livelihoods and continued implementation of critical priorities from the 2020 Original Budget. The government's flagship recovery plan was a 5-pillar Quick Action Emergency Response Programme (QAERP).[lix] The total resource envelope was SLL 9.21 trillion. Reported QAERP achievements by end of 2020[lx] included:

- **Pillar 1:** A Special Credit Facility provided by the Bank of Sierra Leone supported the production, importation and distribution of essential commodities. SLL 500 billion was allocated and SLL 499.72 billion accessed by 10 businesses at concessional rates of 7 per cent per annum. The National Revenue Authority also implemented a scheme to provide tax deferments to importers and manufacturers of locally consumed essential commodities; SLL 108 billion was deferred.[lxi]

- **Pillar 2:** Tax deferrals granted to businesses -(in the hospitality, aviation, transportation, education, security, and health sectors) to continue operations. The government also provided safety net support of SLL 4.63 billion to 2,368 workers in the tourism and hospitality industry; each worker received SLL 1.8 million.

- **Pillar 3:** To provide safety nets for vulnerable groups, affordable loans for SMEs were available through completion of the National Micro-Finance Programme. Credit provision of SLL 30 billion will be provided by this Fund, of which SLL 4 Billion was expended in 2020. The remaining amount will be disbursed in 2021. There was expansion of the cash transfer programme from 35,000 households to 70,000.

- **Pillar 4:** To create employment, advance payments were made for the rehabilitation of 1,835 kilometers of trunk roads nationwide and the completion of 109 kilometers of township streets. These works will provide jobs for about 5,000 young people[lxiii]. Out of the US$ 65.6 million budgeted, the government has disbursed US$ 38.3 million.[lxiv]

- **Pillar 5:** Assistance for local farm production included 324 metric tons of improved seed rice, 555 metric tons of fertiliser, 10 metric tons of assorted vegetable seeds, extension services, advice for land preparation and fertiliser application. The government also hired tractors for the ploughing and seed harrowing of 6,000 hectares of land for rice cultivation in 10 districts.

The National Commission for Social Action (NaCSA) [lxv] is championing the social security response targeting vulnerable citizens, with its resources and support from the WB and the European Union. Through the COVID-19 Ep Fet Po Programme (funded by the Government of Sierra Leone, the WB, and the United Nations Children's Fund), the government expanded its existing cash transfer programme implemented by NaCSA from 35,000 households to 70,000. Payments to 35,000 extremely economically poor households commenced in December 2020. In terms of implementation, transfers of SLL 1.2 billion were completed in 2020[lxvi]. The response, therefore, aimed to cushion the impacts on agricultural industries through disbursement of SLL 14.3 billion, which was channelled to 25 SME agribusinesses[lxvii] to boost food production and secure supplies of commodities at stable prices.[lxviii]

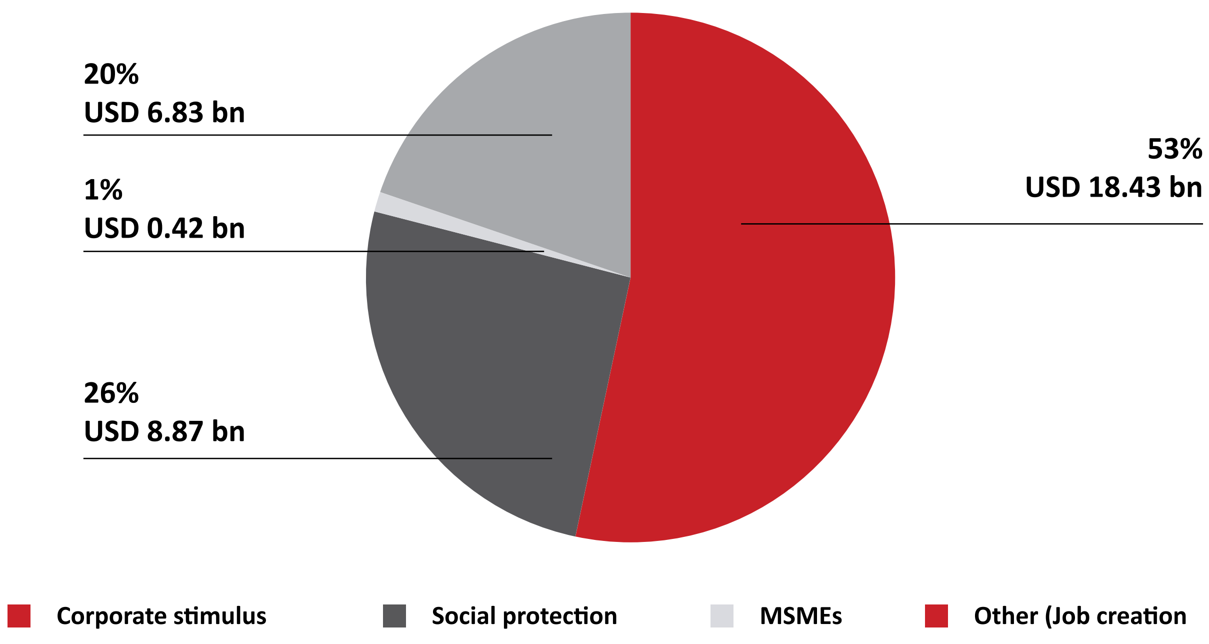
QAERP faced challenges to it implementation due to a projected shortfall in tax revenues of SLL 965 billion. However, with WB assistance (USD 7.5 million)[lxix], the Sierra Leonean Government had, by the end of 2020, spent USD 115.05 million on the COVID-19 response which included the implementation of QAERP and social security measures for most marginalised groups. Additionally, the government prepared a comprehensive COVID-19 Health Sector Response Plan, including and allocation of SLL 7.2 billion for 11,039 health care workers. Between April, 2002 and June, 2020 (due to the lockdown periods), the Government provided cash transfers of SLL 4 billion to 11,000 orphans, persons living with disabilities, and vulnerable children, and economically poor households. With WB support, the COVID-19 Emergency Cash Transfer Programme also provided assistance totalling SLL 37.96 billion to 29,000 informal sector workers[lxx]. The level of support was a one-off transfer of SLL 1,309,000 (approximately USD 130) per household, counted as minimum wage for Freetown for 2 months. Food and other items were also distributed by the NaCSA to 10,000 persons living with disabilities, amputees, orphans, children with autism, and economically poor households. The Government provided a total of SLL 4 Billion for this initiative.

In November, 2020, the EU through the WB provided EUR 4,650,000 to support an additional 36,000 informal sector workers (petty traders, lowly-paid workers and workers in the tourism sector). No disbursements were made in 2020.[lxxi]

2.9. South Africa – Early and Little Relief Allocations

When South Africans entered one of the world's most stringent lockdowns on 27th March, 2020, their economy was already performing poorly. By the close of March, 2020, there had been three consecutive quarters of declining GDP and the economy was heading for its 3rd recession in three consecutive years[lxxii]. A 'lost decade' without growth in GDP per capita between 2009 and 2019, followed by an expected decline in GDP per capita of up to 10 percent during 2020, implies South Africans will on average be only 15 percent (economically) richer than they were in 1994. In fact, by 30th January, 2021, the country had more than 1.4 million COVID-19 infections (then 15th in the world) and 43,951 deaths (then 14th in the world); also, there had been more than 125,000 excess deaths.[lxxii] The National Treasury says the economy will recover to 2019 levels by 2024,[lxxiv]; but it could take longer with a possible 2nd 'lost decade' until 2030.

Figure 14: South Africa announced spending adjustment



In this context, the mantra of global stimulus packages was to 'go hard, go early and go household'[lxxv]. 'Go hard' meant that the stimulus should be at least equal to the expected shock to the economy. South Africa's response of about 2.7 percent of GDP was far below the expected shock to the economy, a GDP decline of about 8 percent.

Specifically, there are 3 ways to analyse the South African Government's COVID-19 response. First, one can look at the headline R500 billion allocation, the money that the government or the president had intended to spend. The announcements of relief allocations were initially understood to refer to new money to provide stimulus to the economic shock and decline. The package allocated R276.1 billion or 55.2 percent towards companies in the form of loan guarantees, tax measures and support for SMEs. The R50 billion allocation towards social grants aimed at benefitting the economically poor and most marginalised in society was equivalent to only 10 percent of the announced package. The R40 billion off-budget allocation towards those who were temporarily unemployed was equivalent to 8 percent of the package. The remaining R140 billion went to other government functions.

Second, one could only look at the R219.3 billion that was spent and the tax measures of R70 billion. The three components of actual spend were R145 billion by the government which included R48.7 billion on social grants and food aid; R56.8 billion that the Unemployment Insurance Fund (UIF) spent; and R17.5 billion on loan guarantees. The support for businesses was R93.6 billion or a 1/3 of actual spend, and tax measures of R289.3 billion. This comprised tax measures of R70 billion, support for SMEs of R6.1 billion) and loan guarantees of R17.5 billion. Spending on the temporarily unemployed and social grants was 19.6 percent and 17.3 percent of the total respectively.

One could look at the actual or real stimulus provided to the economy as well. The stimulus was R136.3 billion or 2.7 percent of GDP. It comprised of the R36 billion increase in non-interest spending by the South African Government; the tax cuts (as opposed to temporary tax deferrals) of R26 billion that resulted in lost revenue; R56.8 billion that was spent by the UIF and the loan guarantees of R17.5 bilion.

Third, a number of the funds were in fact reallocations away from social spend which complicates analysis of the progressive or pro-poor nature of the reallocations. Most of the above allocations were not new money. These were financed with equivalent budget cuts from national departments of R54.4 billion, provincial departments of R33.8 billion, and local governments of R12.6 billion. Other adjustments included a downward revision of R8.1 billion due to tax reductions (a tax holiday of the mandatory skills development levies) that were provided to companies. For example, the supplementary adjustment budget shows that there was an allocation of R21.5 billion for health; only R2.9 billion was new money. There was an allocation of R20 billion for municipalities, and only R11 billion was new money. There was an allocation of R12.5 billion for basic and higher education, whereas the net spending cuts were R2.1 billion and R9.9 billion in basic and higher education.

Our research shows that 55.2 percent of this original relief package was targeted towards companies rather than people. The R50 billion allocation towards additional social grants (or social assistance revenue-funded cash payments) was equivalent to only 10 percent of the package. Five times more was allocated towards companies than what was supposed to go towards grants. The allocation towards companies was almost twice than what went to the economically poor. There were also provisional allocations of R19.6 billion for job creation and R3 billion for the Land Bank. The allocation towards the struggling Land Bank had nothing to do with the COVID-19 response, as it was an old policy.

The National Treasury announced a supplementary adjustment budget that allocated only R145 billion towards the COVID-19 response. Therefore, R45 billion of the R190 billion was not allocated. The R145 billion allocation itself was offset by budget cuts of R109 billion. This means that the increase in non-interest expenditure – the new money or real economic stimulus – was only R36 billion or 0.7 percent of GDP.

On 15th October, 2020, South African President Cyril Ramaphosa announced a reconstruction and recovery plan. This plan recycled old infrastructure projects and committed no new money. On 28th October, 2020, the medium-term budget policy statement (MTBPS) made no changes to the fiscal envelope. A further unplanned R10.5 billion allocation to South African Airways was financed through further budget cuts. The MTBPS included a R12.6 billion employment stimulus that would create 800,000 temporary jobs at the minimum wage of R3,500 a month. The extension of a social relief of distress (SRD) grant of R350 a month would cost R6.8 billion. MTBPS and SRD would be paid out of R19.6 billion which had been provisionally allocated during the supplementary budget for job creation. Of further concern is that the USD 100 billon that President Ramaphosa said would be spent on job creation, would now be spent over three years.[lxxvi] So some announced measures for 2020 were not intended to be implemented in the same year.

On 21st April, 2020, President Ramaphosa said the South African Government would direct R50 billion towards relieving the plight of those who were most desperately affected by COVID-19. To reach the most vulnerable families, the government decided on a temporary 6-month social assistance means tested grant. This implied that child support grant beneficiaries would receive an extra R300 in May 2020; and from June, 2020 to October, 2020, they would receive an extra R500 each month. All other grant beneficiaries would receive an extra R250 per month for the next 6 months. In addition, a special social relief of distress grant of R350 a month for the next 6 months would be paid to individuals who are currently unemployed and did not receive any other form of social grant or UIF payment. Treasury provided further details of the financing; only R25.5 billion of the R40.9 billion allocation was new money (stimulus).[lxxvii] This was because R15.4 billion was not payable in the 2020/21 financial year due to early payment of social grants.

The government topped up the child support grant (CSG) aimed at 12.8 million beneficiaries, with a one-off top up by R300 in May 2020. Grants were to be received by adult caregivers on behalf of the minor targeted children; most being women caregivers to receive R445 for each child (*below the official food poverty line of R585 a month*). Treasury then announced that the South African Government would provide R500 to each caregiver and not to each beneficiary or child which is what many South Africans had understood President Ramaphosa to have said. As a result, the grant would go to 7.2 million beneficiaries which is far fewer than the 12.8 million proposed.

Notably, between May, 2020 and October, 2020, the government topped up all other existing social security payments by R250 per month. The payments to caregivers and the top-ups were stopped by the close of October, 2020. The SRD grant was further extended for 3 months until the close of January, 2021 after much advocacy by social justice activists.

Our analysis shows that women directly received almost half of the R48 billion increase in social grants during the 2019/20 fiscal year. This related to payments for the 1month top-up of the CSG and the caregiver grant, which was paid for 5 months. Women and men are beneficiaries of the grants. However, women who received the CSG on behalf of children and the temporary caregiver's grants were not eligible to receive the SRD; and so the SRD is skewed towards men.

3.0 Conclusion and Recommendations

African governments struggled to respond to a truly global threat in the face of limited liquidity challenges. The results from the allocations to the various sectors show that there was little benefit to the poor and vulnerable who were most affected by the economic damage of the COVID-19 pandemic with the larger share of the fiscal stimulus packages targeted at the corporate sector. Ensuring adequate access to social protection and providing support to vulnerable sectors (i.e. informal and SMEs) during COVID-19 and beyond will be key to contributing to the reduction of poverty and inequality as well as promoting sustainable economic growth.

In terms of the health crisis, Africa has been fortunate as the percentage of lives lost is tangibly lower than in the global North. The outcome of the economic story, however, presents challenges in Africa's road to recovery. Because of the long-term adverse effects of the pandemic, it is important to ensure sustainable transformations that seek to build strong and responsive social protection systems.

In light of the above, Governments must seek to do the following:

- Upscale domestic resource mobilisation efforts to finance recovery spending gaps.
- Consider the socioeconomic impacts of the pandemic in the formulation and allocation of resources to sectors in stimulus packages.
- Develop a comprehensive social support system which should be inclusive especially for poor and vulnerable communities.
- Subject corporate stimulus packages to public scrutiny and legislative oversight in the allocation of resources to different sectors.
- Improve spending allocations and programmes targeted towards the informal and SME sector as they are the largest contributors to employment in developing countries.
- Create spaces for CSOs to contribute to the COVID-19 response, by using their influence to inform government priorities in the emergency and recovery phases.

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