SOUTH AFRICA
Economic Woes Exposed

Covid-19 is a game-changer for a country already at the edge of the precipice.

Experts say the coronavirus crisis has worsened the country’s ailing economy, as the government flounders to find a solution. The economy has taken a hit during the Covid-19 pandemic, leaving the majority of the country’s population frustrated as the future looks increasingly uncertain. The crisis has laid bare South Africa’s stark social and economic differences between rich and poor.

South Africa has recorded more coronavirus cases than any other country in sub-Saharan Africa. “The situation is unfolding and it’s very problematic because the worst is still to come,” Deutsche Welle correspondent Adrian Kriesh said from Cape Town, the worst-hit region. “We’re seeing an exponential growth of cases in Western Cape at the moment. We will probably reach the peak by the end of June.”

“South Africa was already at the precipice of a fiscal cliff and in an economic recession at the time the country went into lockdown,” Jannie Rossouw, a recession at the time the country went into lockdown, told DW. “Naturally, the Zuma administration is to be blamed, and Ramaphosa must share in such blame,” Rossouw added.

The country’s economic growth over the past five years stood at an average of 1.5%, while the official unemployment rate was at 29%. The country’s credit rating was downgraded by major international credit rating agencies. The majority of South Africans — at least 54% of households — have no access to clean water, while at least 14% live in crowded informal settlements.

Chief executive of Pan-African Investment and Research Services Iraj Abedian, says the coronavirus crisis is a game-changer for South Africa’s ailing economy.

“If I were to rephrase Ramaphosa’s statement, I would say: Covid-19 dealt a crushing blow to a struggling economy, after a decade of politically orchestrated looting and plunder, that could [barely stand] a mild wind, let alone a hurricane.”

“Although I support the implemented measures, I think Covid-19 exposed the neglected social and economic issues of the vulnerable communities,” says South African Collen Lediga, an academic tax revenue expert from the University of Bochum, Germany.

To minimise the economic impact of the coronavirus, South Africa introduced various fiscal and monetary stabilisation measures such as direct cash transfers to households and businesses through a US $26bn recovery package. But Abedian says the measures are nowhere near what could be considered a recovery package.

“It amounts to a scheme whereby the government borrows [money] to avoid a human tragedy and has yet to figure out how to avoid an economic collapse,” he explains. “This knee-jerk reaction is driven largely out of fear and not based on wisdom and well-considered strategy.”

Recovery from the Crisis?

Economists say the country is already on a slippery slope to socialism, but add that authorities need to scrap unnecessary regulations if they are to get the nation back on its feet.

Not doing so “will merely make it less attractive to do business without any economic advantage,” says Rossouw. At the same time, he urges, it is necessary to contain government expenditure. “In this regard, the most challenging aspect is reining in civil service remuneration, which accounts for some 45% of government revenue.”

Abedian believes it’s time for less talk and more action. “South Africa needs to learn from its repeated mistakes over the past 25 years,” says Abedian. “Creating a capable state is a requisite for sustainable growth and development. Much lip service has been paid to this goal, but no real change has been effected over the past 25 years. Instead, the political leadership has promoted mediocrity within the machinery of the state.”

(Deutsche Welle 9/6) Viral lockdown to ease further p.22972A

UGANDA
Time for a New Normal

In a raft of 11 stimulus plans, the president announces relief for businesses.

The economy is being severely hit by the Covid-19 pandemic and, in particular, such key sectors as services (tourism), transport, construction, manufacturing and agriculture.

The challenging external environment is curtailing remittances and foreign direct investments. The pandemic has also exacerbated the challenges posed by heavy rains in early 2020 and the ongoing locust invasion. The weakening economic conditions have put significant pressures on revenue collection, expenditure, reserves and the exchange rate, creating urgent large external and fiscal financing needs.

After two-and-a-half months of almost exclusive focus on interventions to curb the spread of coronavirus, President Yoweri Museveni turned his attention to the economy. Outlining his bailout plan for an economy straining under the choke of a stringent lockdown, Museveni addressed the nation on June 4th.

In a raft of 11 stimulus plans, the president announced relief for businesses by suspending payment of Pay As You Earn (PAYE) for four months, and said the government would expedite payment of its domestic debt to provide liquidity for private firms that have been affected by the Covid-19 lockdown.

Corporations and medium-sized enterprises affected will be allowed to delay payment of corporation tax or presumptive tax due between April and June. While those in manufacturing, tourism, horticulture and floriculture have up to September 2020.

President Museveni also proposed waiver of interest on tax arrears and said the Bank of Uganda had already announced measures to ease pressure of loan repayments to commercial banks. The Uganda Development Bank will be recapitalised to the tune of Ugandan shillings 1 trillion (about $2.5bn).

President Museveni said the finance minister also proposed to capitalise Uganda Development Corporation (UDC) with USh100bn to enable government to invest in strategic areas; boost funding to Uganda Industrial Research Institute (UIRI) in FY 2020/21 to continue with innovation research and incubation of business start-ups; and secure funding for the development of Kampala Industrial Business Park at Namavle and for power transmission and substations for Mbale, Kapeeka, Bweyogerere, Kasese, Soroti, Luzira, Jinja and Mbarara industrial parks.

Other measures include provision of an additional Shs300bn immediately to boost agricultural production and productivity for seedlings, fertilisers, irrigation, storage facilities and value addition. “The target crops are coffee, cotton, tea, palm oil and other oil seeds, cassava, maize, cocoa and dairy, beef, and fish production,” said Museveni. (The East African 6/6; Chimp Reports 4/6) See budget 2020/21 p. 23013B
**World Bank Loans and Grants**

**DR Congo**: The World Bank has approved additional financing provided by the International Development Association (IDA) totalling US$45m for the Eastern Recovery Project (STEP 2). It includes a $285m credit and a $166m grant. Almost 2.5m people will benefit from the construction and maintenance of 2,000 community infrastructure, including at least 500 schools in support of the free primary education programme, and 300,000 people will receive a total of $100m in cash transfers in 1,000 communities targeted. (worldbank.org 20/5)

**Djibouti**: The World Bank has approved two new projects totalling $25m in credit from the IDA. The first operation, the $15m Economic Management and Statistics Development for Policy Making project, will help the government fill data gaps, improve the quality and reliability of key official statistical products and processes, make data more accessible and enhance dissemination practices, and contribute to strengthening the institutional and technical capacity as well as the infrastructure of the National Institute of Statistics of Djibouti (INSID). New waves of displacement from Ethiopia, Eritrea, Somalia and Yemen have further exacerbated Djibouti’s already fragile public services. Moreover, most recently, the Covid-19 crisis and the locust outbreak have resulted in greater public health and economic impacts, threatening food security and livelihood opportunities. In response, the additional financing of $10m approved under the Development Response to Displacement Impacts Project in the Horn of Africa will help address these vulnerabilities. The operation will improve access to social and economic services so that the country can adapt to the changing context and create economic opportunities for both refugees and the communities hosting them. (worldbank.org 31/5)

**Egypt**: $50m has been allocated as an emergency response to help strengthen the Covid-19 response and shorten the time to recovery. (worldbank.org 17/5)

**Gabon**: The World Bank has approved financing from the International Bank for Reconstruction and Development (IBRD) to bolster efforts to combat Covid-19. (worldbank.org 19/5)

**Kenya**: A $1bn budget support operation, which helps close the fiscal financing gap, while supporting reforms that help advance the government’s inclusive growth agenda, including in affordable housing and support to farmers’ incomes has been approved. The Kenya Inclusive Growth and Fiscal Management Development Policy Financing (DFP), is the second of a two-operation programmatic series aimed at recreating fiscal buffers over the medium term and crowding in private investment. Preparation of this DPF preceded the Covid-19 pandemic, but its approval is timely, since it will help to fill the financing gap generated by the severe, ongoing shock to Kenya’s economy. To secure this financing, Kenya has undertaken policy reforms that directly benefit many low-income Kenyan households. Small holder farmers will now benefit from better targeting of their agricultural inputs through electronic vouchers. The supply of affordable housing is expected to increase, on the back of the updating of antiquated legislation that hindered the development of housing market.

Supporting more transparency in public financial management is a major focus of the operation. Ordinary Kenyans will for the first time be able to review details of public procurement contracts via the public procurement information portal (www.tenders.go.ke).

The $1bn financing comprises a $750m IDA credit and a further $250m loan from the IBRD. (worldbank.org 20/5)

**Lake Chad**: Two operations totalling $346m in IDA financing to help strengthen resilience and livelihoods in the Lake Chad region, which is shared among Cameroon, Chad, Niger and Nigeria. The two newly approved operations focus on enhancing regional collaboration among the four countries to support communities close to the shore of Lake Chad areas and to improve the living conditions of the population, including vulnerable women and youth who face the negative impacts of climate change and suffer from insecurity.

The second project, the Multi-Sectoral Crisis Recovery Project for North Eastern Nigeria, Additional Financing ($176m), will help the Nigerian government improve access to basic services and livelihood opportunities for crisis-affected communities in the North Eastern States of Adamawa, Borno and Yobe, while enhancing the coordination of these States and other Lake Chad countries. (worldbank.org 26/5)

**Sahel**: $376m in IDA financing to improve human development outcomes in Africa. This is the fourth additional financing to the Sahel Women Empowerment and Demographic Dividend project (SWEDD), a significant regional initiative developed in response to a call for action by the Presidents of Niger, Burkina Faso, Chad, Côte d’Ivoire, Mali and Mauritania in 2014. (worldbank.org 28/5)

**Tunisia**: Budget support of $175m will help Tunisia cope with the effects of the coronavirus pandemic. The financing is part of a major coordinated international support programme to which contributions have come from the World Bank, German bank KfW, French Development Agency (AFD), the Japanese Agency for International Cooperation (JICA) and the African Development Bank (AFDB). It has also been closely coordinated with macro-financial assistance provided by the European Union (EU). The financial package for the joint operation will amount to between $600m and $700m in 2020. The objective is to help protect vulnerable businesses and households from the effects of the crisis and to carry out essential economic reforms to enable Tunisia to improve its recovery potential after the crisis, as well as its competitiveness in a context that is leading countries to rethink global value and distribution chains. (PANA 15/6)

**World Bank Covid-19 response p. 22974A**

**Policy and Practice**

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**economic sectors. As of June 7th, a host of shops and services could reopen under certain health restrictions. Hammams have not been allowed to reopen and restaurants can only sell food that will be consumed at home.**

On the same day, Algerian customs figures for the first quarter of the year showed an expanding trade deficit of $1.5bn, up from 1.19bn the previous year, despite a 19.5% decrease in imports. (Tout sur l’Algérie 7/6)

**Angola**: At least 3,265 vulnerable families in central Bié have benefited from the pilot programme of Social Monetary Transfers (TSM) in the first six months of its implementation, the director of the Office of Social Action for the Rights and Gender Equality, Deolinda Benvinha Gonçalves said on June 13th. The value attributed in the first two phases is of Kwanza 3,000 for each child, as every family registered three minors and received a total of K27,000. Currently preparations are being made for the third and fourth phases, in which 4,468 vulnerable families in the province of province are expected to benefit from this programme. Nationwide, it has already benefited 10,576 children from a total of 6,151 families in Bié, Moxico and Uige provinces. By the end of the project, in December 2020, about 20,000 children under the age of five, out of 7,788 families in these provinces, are expected to be assisted. (angop.ao 13/6)

**Botswana**: Authorities declared a strict lockdown in the capital Gaborone from June 13th after the discovery of new cases of the coronavirus. The movement will be permitted without a permit and only essential services will be allowed to stay open. (© AFP 13/6 2020)

Botswana announced a fuel price drop following another adjustment in April. Rose Serete, Botswana Energy Regulatory Authority (BERA) chief executive officer said on June 12th that while international oil prices have started recovering as a result of easing of lockdowns globally, the cumulative slate over recoveries have been high. Serete said the regulator will continue to closely monitor the prices of petroleum products in both regional and international markets and make price adjustments as necessary. (PANA 12/6)

**CAB**: The second vice-president of the National Assembly, Mathurin Dimbele Nakoe, and two Cameroonian nationals have been remanded in custody over alleged forgery. (RDH website 4/6)

**Egypt**: Egypt has announced a new hike in electricity prices for the third time and extended the timeline for completely eliminating power subsidies. The new electricity prices for households will see an average hike of 19.1%. Electricity Minister Mohamed Shaker, speaking at a press conference, said...
the new prices will be implemented starting with the electricity bill for August, which reflects consumption in July. The minister also announced that the country’s initial plan of completely lifting subsidies on electricity by 2021 will be extended. They will continue to be lifted eventually, they will be fully eliminated in the fiscal year 2024/2025.

Egypt has been cutting energy subsidies as part of promises made to obtain a three-year $12bn International Monetary Fund (IMF) loan programme that began in late 2016 and concluded in 2019. (BBC Monitoring 9/6)

Ghana: More than 20 people were feared dead after a boat they were travelling in capsized on the Volta Lake at Sokpe, a suburb of Donkorkrom in the Afram Plains North District of the Eastern Region. The accident happened following a violent windstorm on May 28th. (Joy Online website 29/5)

Liberia: Liberia has made good progress in containing the spread of coronavirus and will open its international airport and hotels on June 21st, the government has said. A state of emergency that was declared in April and due to expire on June 21st would not be renewed, President Weah said in a statement. (AFP 7/6 2020)

Malawi: More than 100 job-seekers were injured in clashes during walk-in interviews to recruit health workers to combat the spread of coronavirus, the Health Ministry said on June 9th. In Blantyre police had to fire teargas to disperse the large crowd of agitated applicants. A rights group Youth-Decide Campaign slammed government for “degrading” and “shambolic” recruitment practice. (AFP 9/6 2020)

Mali: Twenty people were killed and 11 seriously injured after a minibus and a lorry collided on May 19th on a major road linking the capital Bamako with the town of Narena on the border with Guinea. Excessive speed by the driver and a technical problem was the “probable cause” of the accident, a statement from the Transport Ministry said on May 20th.

Road accidents are a regular occurrence in Mali, where the poor state of the motorways has created a sense of social tension. Travelling by road is still the principal means of transport for people and goods in the landlocked country, however. (AFP 20/5 2020)

Mauritania: President Mohamed Ould Cheikh El-Maazouzouani officially launched an aid distribution operation to the tune of Ouguiyas 420m (US$11.13m) to more than 186,000 people, which will include over 8,000 villages across all regions, state TV reported on June 12th. The measures within the framework of the interventions the president has pledged in support for the poor to help alleviate the negative consequences of anti-coronavirus measures. (BBC Monitoring 12/6)

Mauritius: After 72 days of confinement, the majority of Mauritians returned to work on June 1st. All civil servants were required to return to work that day. With the end of the health curfew, markets and fairs will be able to resume their activities under strict conditions, as well as shopping malls and shopping arcades. (Le Mauricien 1/6)

Morocco: Morocco has decided to extend its medical state of emergency and lockdown measures until July 10th. The Ministry of Interior had initially recommended August 8th as the deadline, but there were worries that this would not be appropriate for all of Morocco’s regions which are experiencing different rates of infection, French-language Telquel news website reported (12/6). On the same day, authorities eased a total lockdown in the northern city of Nador, which has been under strict quarantine since March. Privately owned Hespres news agency reported (12/6) on the reopening of marketplaces and public spaces, with safety measures in place. Nador is a popular coastal town which attracts large numbers of domestic tourists. (Sources as referenced in text)

Mozambique: Mozambique has indicted 10 more people over a massive $2bn secret loan scandal that plunged the country into its worst-ever financial crisis. The latest indictments bring to 30 the number of defendants facing charges in the case including Armando Guebuza Jr., the son of former president. (AFP 20/5 2020)

At least 13 people died after a vessel sank in bad weather off the coast of Cabo Delgado province (north), local police said on June 6th. Carrying 50 people, the ship left the coastal town of Mamba at night heading for Mozambique’s da Prata, more than 200 km further north. The shipwreck occurred south of Pemba, the capital of Cabo Delgado province, where militants have been waging a jihadist insurgency for the last two and a half years.

Police suspect Islamist groups of recruiting combatants in the border regions of Cabo Delgado, and using road and sea vessels to transport them to carry out operations. “Our investigation into the motives for this trip during the night, without notifying the maritime authorities, is still under way,” a spokesman said. (AFP 6/5 2020)

Senegal: Senegal said on June 4th it would ease some lockdown restrictions on inter-city travel following two nights of protests marked by violence and more than 200 arrests. Gatherings in public or private places, casinos were also set to benefit from relaxation measures. Anger had focused on the curfew, but transport workers also went on strike over the travel restrictions.

The restrictions have had a major impact on the country’s biggest economic sectors — agriculture and tourism — and on energy and infrastructure projects. They have also been deeply felt on a personal level by many Senegalese who depend on day-by-day jobs.

Around 40% of the population live below the threshold of poverty, according to a World Bank benchmark. (AFP 4/6 2020)

Sierra Leone: The World Bank has launched a new Country Partnership Framework for 2021-2026, which prioritises investments in human capital, job creation, economic diversification and building a resilient health system. Prior to the Covid-19 crisis, the economy grew by 5.1% in 2019 driven mainly by robust activities in agriculture and services. Now, the economy is estimated to contract by between 2.3 and 3.1% in 2020 and growth could be to 2.0 percentage points lower than forecast for the medium term. A key challenge for the government is to diversify the economy to raise real income per capita growth above the population growth of 2.1% in order to ensure that the gains in reducing poverty and inequality are sustained. (worldbank.org 5/6)

Sudan: Sudan is facing growing demands to end the Covid-19 restrictions from a population mired in poverty and facing annual inflation of nearly 100% — as well as fielding complaints that promised aid for poorer Sudanese has failed to materialise.

The government blames technical issues for the delays in aid to the poor. Officials say only 60% of some half a million designated families have received food baskets and cash transfers.

“There are now efforts to distribute the rest of the aid supplies,” said Information Minister Faisal Mohamed Salih. (aljazeera.com 8/6)

Zimbabwe: The Zimbabwe Energy Regulatory (ZERA) authority on June 4th announced a 33% increase in the price of petrol. Diesel prices also went up by 15.8% from June 5th.

Motorists will now pay Z$28.96 on a litre of petrol, up from Z$21.77. Diesel has gone up by Z$3.41 to Z$24.93.

Zimbabweans are spending many hours in fuel queues, as a scarcity of foreign currency continues to hamper the country’s ability to pay for fuel imports. A massive loss of value in the local currency has seen many service stations applying to ZERA to charge in forex. By contrast, service stations selling in forex have abundant fuel, with no queues. (Zionline website 5/6)