

# AfDB's COVID Response



African Development Bank Group

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# AfDB

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# About the Bank

## African Development Bank

Established in 64

80 member countries

**Authorized capital: \$207 billion**

Resources raised from capital markets

## African Development Fund

Concessional Financing –  
Established in 1972

Financed by state participants and donors.

**Subscription: \$41 Billion**

Focused on low income countries

## Nigeria Trust Fund

Established in 76

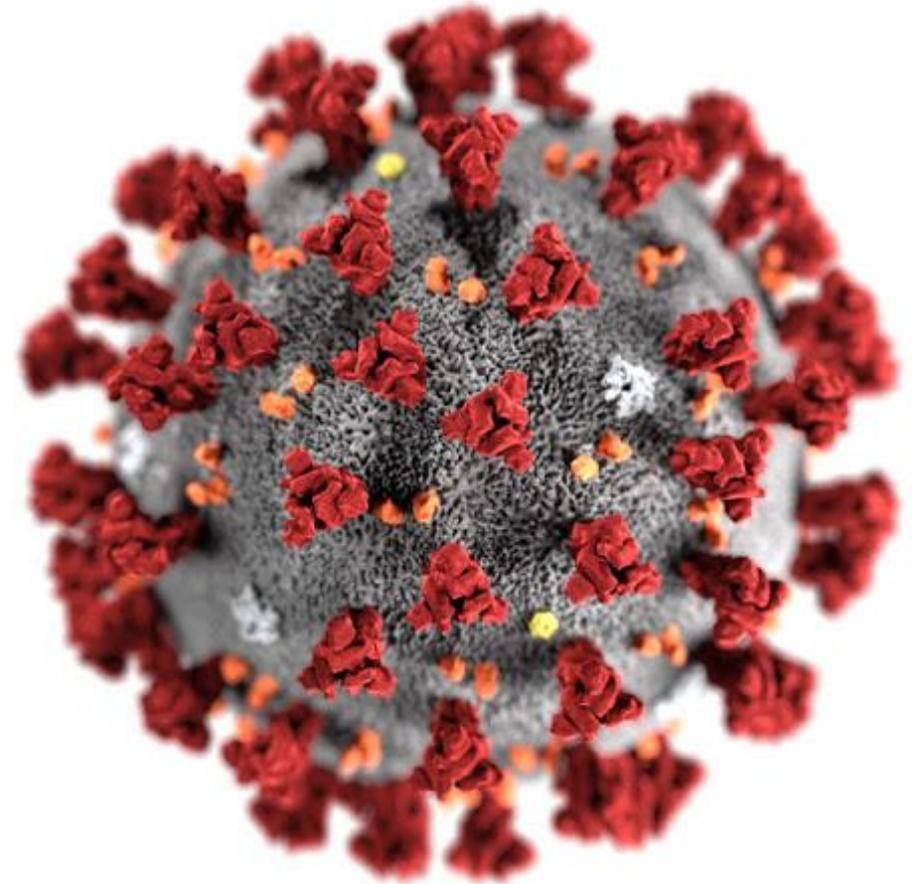
Maturing in 2023

Total resources: 243M

On March 26, 2020, the African Development Bank launched a new \$3 billion Fight COVID-19 social bond with a three-year maturity

# Context

- The impact of the **COVID-19** pandemic on Africa will be unprecedented in scale.
- The economic effects of the crisis will be felt through multiple channels, including reduced trade, financial flows, tourism and declining prices of oil & gas and other commodities.
- A prolonged global slowdown, combined with continued lockdowns could plunge Africa into its first economic recession in 25 years while threatening the jobs or incomes of 150 million Africans—one-third of the entire workforce.



# The Bank's role during pandemics

- The Bank's proposed response to the COVID-19 pandemic builds on the experience built up in recent years during the Ebola epidemic.
- The Bank was among the first development partners to approve an emergency operation in response to the Ebola epidemic in April 2014.
- The Bank has built up relevant experience from a range of emergency operations for natural disasters and disease epidemics.
- Our comparative advantage is in **providing budget support** to affected countries to help manage the wider economic impacts and speed of responses.

\$300 million top-up from AfDB to support countries' Post-Ebola Recovery Programs



17-Apr-2015



# The Bank's response to COVID-19

- To combat the crisis, the Bank has deployed a **UA 7.4 billion** envelope (USD 10 billion) **COVID-19 Rapid Response Facility (CRF)** which provides flexible support for sovereign and non-sovereign operations including:
  - **USD 5.5 billion** for sovereign operations in ADB countries;
  - **USD 3.1 billion** for sovereign and regional operations in ADF countries; and
  - **USD 1.5 billion** for non-sovereign operations (private sector) in all African countries.
- These resources come from the ADF and ADB windows of the Bank Group, special funds, unutilized ADF-14 resources, frontloaded ADF-15 resources, and repurposed resources of cancellable loans.



# Sovereign Operations

- For sovereign operations, the CRF will as a matter of priority provide **fast-track budget support** to ensure that RMCs are able to fund emergency response measures.
- This is an efficient approach, with the flexibility to allow RMCs to apply for the support that best meets their individual needs and gives due consideration to the growing risk of debt distress in many African countries.
- The operations will aim at sustaining growth; strengthening economic and financial governance; supporting policy and institutional reforms; mitigating the adverse impact of shocks; and contributing to the recovery, state building and arrears clearance in fragile states.

# Sovereign Operations | Eligibility Criteria

- **Management will use the following criteria to guide decision-making and prioritize requests for budget support:**
  - severity of the impact on the economy and fiscal stress;
  - severity of the impact of COVID19 on government capacity to provide needed services and maintain infrastructure;
  - degree to which denying assistance would threaten to reverse gains and undermine degree of resilience achieved in recent years; threat of a sovereign ratings downgrade.

# Non-sovereign operations | Private Sector

**USD 1.35 billion** will be administered to existing non-sovereign (private sector) clients through the following:

- **Deferral of Debt Service Payments:** up to USD 675 million to support the anticipated request from private sector clients for limited deferral of their loan obligations to the Bank.
- **Emergency Liquidity Facility:** up to USD 405 million to assist clients facing short-term liquidity challenges caused by COVID-19.
- **Trade Finance and Guarantees Facility:** up to USD 270 million to assist clients to access trade finance and guarantees during this difficult and challenging time.

# NSOs | Eligibility Criteria

- Applicant must be an existing Bank client, located in any member country, and be current on its debt service obligations to the Bank.
- Provision by the applicant of financial cash flow projections showing the need for deferral or an expected shortfall in liquidity due to the COVID-19 crisis.
- Provision by the applicant of a business plan, outlining contingency plans and liquidity management strategies together with a supporting financial model / cash flow projection of the business.



# Trade perspectives



- COVID-19 has caused major disruptions in production and global supply chains.
- Intra-Africa trade is low. In 2018, 15% of Africa's total exports went to other African countries.
- This however does not include Informal Trade - which is particularly vulnerable to the pandemic.
- ICBT varies considerably across the continent. Agricultural products (e.g. maize, rice) are often traded, making it important for food security.
- Restrictions on trade and movement of people have important socio-economic ramifications.

# COVID-19 and the AfCFTA

- Trade under the AfCFTA regime was expected to begin on 1 July 2020. This date has now been pushed to **1 January 2021**.
- Negotiations on tariff concessions and rules of origin are ongoing. Same is true for trade in services.
- The first SG of the AfCFTA Secretariat, **Mr Wamkele Mene**, was sworn in on 19 March. The Committee on Trade in Goods also met in March but all meetings and negotiations were suspended as a result of COVID-related travel and other restrictions.



# Bank's role

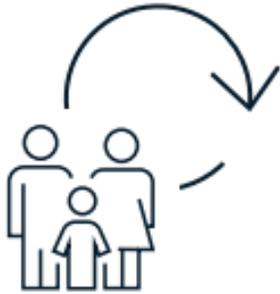
- Implementation of the lending program is continuing. Approval mechanisms were digitized and business processes have been expedited.
- Restructuring the recently approved \$5M AfDB Institutional Support Project for the implementation of the AfCFTA.
- Supporting the establishment of the Secretariat and the AfCFTA negotiations. Negotiations should continue via online and videoconferencing platforms.
- Tracking and reporting on the gradual lifting of restrictions to movement of people through among others the Africa Visa Openness Index: [www.visaopenness.org](http://www.visaopenness.org)



# Moving forward | the trends we are watching...

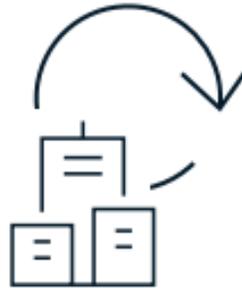
- The COVID-19 crisis will likely persist for some time, and there is serious risk of a resurgence in infections.
- Our plan is to help African countries find smart approaches to **reopen economies** in a calibrated way that brings **key industries** back into operation and **help people move** while ensuring safe ways of working.
- We also plan to help governments build the capacity to alternate between reopening and restricting economies on a granular, local level— akin to developing and flexing a muscle.
- Looking further ahead, the Bank believes that the crisis potentially contains the seeds of a large-scale reimagination of Africa's economic structure, service-delivery systems, and social contract.
- Trends such as digitization, market consolidation, and regional cooperation are accelerating and creating important new opportunities—for example, to boost local manufacturing, formalize small businesses, and upgrade urban infrastructure.

# Moving forward | the trends we are watching...



## Reimagine society

- 1** Accelerate Africa's digital transformation
- 2** Put renewed focus on serving the needs of vulnerable urban populations
- 3** Transform African healthcare systems for resilience and equity



## Reimagine business

- 4** Strengthen sector competitiveness through consolidation and innovation
- 5** Reshape manufacturing, with a focus on self-reliance
- 6** Catalyze the formalization of African economies



## Reimagine government

- 7** Prepare for a more active government role in the economy
- 8** Forge a stronger social contract between citizens and government
- 9** Sustain momentum in regional and pan-African cooperation



# Thank You

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Website:

[www.afdb.org](http://www.afdb.org)

[www.visaopenness.org](http://www.visaopenness.org)

[www.africatradefund.org](http://www.africatradefund.org)

[www.integrate-africa.org](http://www.integrate-africa.org)

