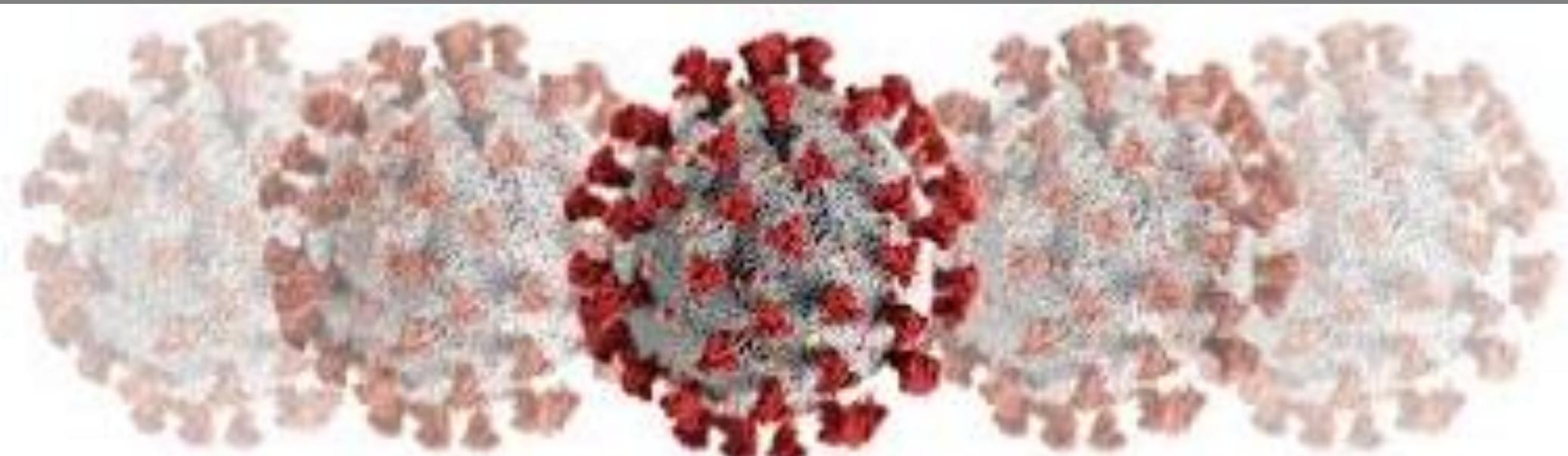




TONY BLAIR
INSTITUTE
FOR GLOBAL
CHANGE

COVID-19: Protecting Key Industries Guide for Africa

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Countries that typically bounce back well from crises such as Covid-19 protect key industries

Since government resources are heavily constrained and development partner support often limited, it is essential to prioritise industries for support. While political factors will play a part, we suggest three economic criteria for prioritisation:

01

Ability to survive

Will the industry survive without support?

This depends on the size of industry buffers. These can include a) savings (or scale of debt) b) ease of access to credit c) asset holdings and d) ability to adapt to new economic conditions (e.g. repurposing of manufacturing to produce medical equipment).

02

Contribution to macro economy

How dependent is the rest of the economy on that industry?

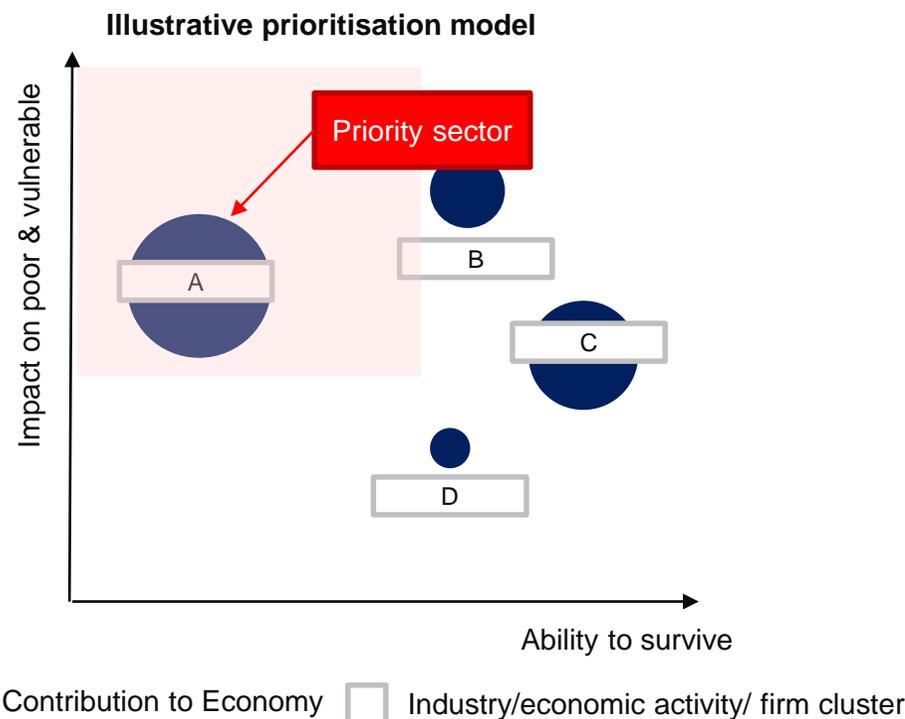
Factors normally considered are a) exports b) tax revenues c) local value added and procurement from SMEs d) critical imports e) production of essential items, e.g. food

03

Contribution to livelihoods

How dependent are the poor, vulnerable and the average person?

Factors normally considered are a) jobs and youth employment b) dependency by informal sectors c) smallholder farmers d) dependency by the health response itself.





4 policy categories countries typically use to support key industries

Benefits and challenges of these measures

01

Easing of regulations

Modifying regulations or using authority to compel agents to change behaviours or collaborate.



No threat to the balance sheet.



No enforcement mechanisms imply risk of non-compliance.

02

Cashflow support

Expediting the payment of near-future commitments or arrears and/or delaying charging citizens' obligations.



No threat to the balance sheet, as long as government intends to eventually charge; direct effect over people's livelihoods; uses pre-existing payment systems.



Targeting the measures (e.g. only firms affected by Covid-19) might complicate implementation; can cause fiscal cash shortages if utilities or SOEs have high operating costs and no access to short-term financing.

03

Access to finance

Easing firms' and individuals' access to financing mechanisms and/or providing guarantees and loans.



Expands on already established policy tools (central bank measures or pre-existing loan schemes).



Loans add systemic risk to government/central bank finances; loosening financial regulations can leave the sector vulnerable to jolts.

04

Transfers

Providing non-lending resources to firms and individuals, including forgoing taxes, tariffs, and fees.



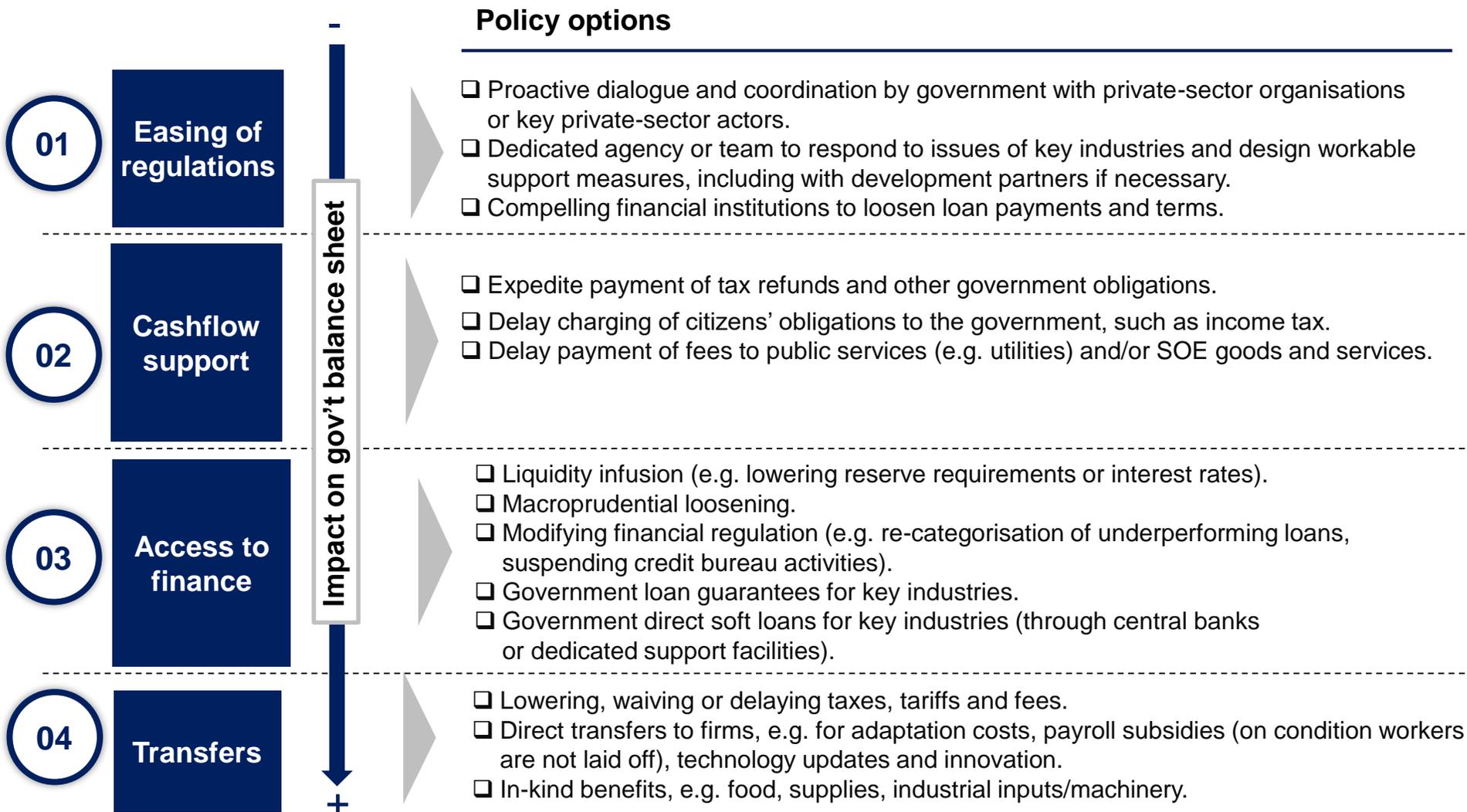
Direct and sustainable effect over people's livelihoods.



Direct effect on government balance sheet; if not relying on existing systems (e.g. exiting cash transfers, pensions) operations and targeting can be very challenging.



Some measures require less fiscal space by government than others (policies tend to vary by sector needs)





Numerous countries in Africa have started to roll out targeted support for key industries ...

	Targeted industries	Notable measures
Senegal  <ul style="list-style-type: none"> Has used all policy tools, and has targeted the industries directly hit by containment measures, such as tourism. 		<p>Senegal is accelerating VAT refunds and providing tax deferrals to key industries like tourism and transport. This approach is allowing it to protect its fiscal space for generic economic support, such as food aid and payment of utility bills.</p>
Guinea  <ul style="list-style-type: none"> Package almost entirely targeted to tourism, hotel, and bar and restaurants industry. 		<p>Guinea is a good African example of a highly targeted package. The country used most of its policy tools to directly support the tourism, hotel, and bar and restaurants industry, from tax deferrals and exemptions, to freeze the charges of utilities for the sector.</p>
Côte d'Ivoire  <ul style="list-style-type: none"> Established a solidarity fund to support employment in six key industries. 		<p>The prime minister has announced a solidarity fund to support businesses and employment, notably in the cashew, cotton, rubber, oil palm, cocoa and coffee industries, while ensuring strong dialogue with the private sector to respond to issues.</p>
Nigeria  <ul style="list-style-type: none"> Mainly access to finance through monetary measures targeting health, manufacturing, SMEs and the real sector. 	 <p>SMEs</p>	<p>Targeting of health, manufacturing, SMEs and the real sector. While the oil and gas industry is both the main source of revenue for the government and a crucial industry, it is not subject to support at the moment. This industry, which is not one of the largest employers, has enough financial buffers to weather the crisis and can avoid shedding jobs for a certain period.</p>
<p>Key:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Easing of regulations</p> </div> <div style="text-align: center;">  <p>Cashflow support</p> </div> <div style="text-align: center;">  <p>Access to finance</p> </div> <div style="text-align: center;">  <p>Transfers</p> </div> </div>		



... As have countries in other parts of the world

Myanmar



- Targeting textile and garments, tourism and SMEs.

Targeted industries



SMEs

A Covid-19 Fund worth US\$70 million (0.1% of GDP) has been established at the Myanmar Economic Bank to provide soft loans to affected business (particularly the priority garment and tourism sectors and SMEs) at a 1% per annum interest rate for a one-year period.

Portugal



- Targeting food processing, agriculture, tourism and manufacturing.



Special lines of credit for specific sectors: **food, tourism and manufacturing**. Suspension of social security contributions for affected businesses. Certain corporate tax deadlines have been extended by three months.

Bangladesh



- Targeting export-oriented industries.



Stimulus package for exporting industries such as **textiles and garments** to be channelled through a refinance scheme operated by Bangladesh Bank. Commercial banks will borrow from Bangladesh Bank at zero interest and on-lend to export-oriented firms at 2% with a two-year term and a six-month grace period.

Malaysia



- Targeting SMEs and micro-enterprises.



SMEs

Micro-enterprises

Special Relief Fund for SMEs, providing low-interest loans and another soft-loan facility for working capital, with 7% interest and a five-year tenure. In addition, a micro-credit scheme was established, providing loans of up to \$17,000 at 2% interest.

Key:



Easing of regulations



Cashflow support



Access to finance



Transfers