

CORONAVIRUS RESOURCE CENTER

COVID-19— Review of State-Sponsored Help for the Top 15 African Economies by GDP and Mauritius

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Unfortunately, there is little doubt that the impact of the pandemic will be severe on the African economy. Hafez Ghanem, World Bank Vice President for Africa, commented that [“African countries are likely to be hit particularly hard”](#). The World Bank’s analysis shows that COVID-19 will cost the region between \$37 billion and \$79 billion in output losses in 2020.

Governments and institutions across Africa are responding to this downturn with a combination of emergency fiscal and monetary policy actions. The level of response varies widely across the continent, from 0.1% of GDP in Cameroon to 2.7% of GDP in Morocco, and a promised package of up to 5% GDP in Cote d'Ivoire. In comparison, the UK has pledged 2.3% GDP, the U.S. 11% of GDP, France 5% of GDP, Germany 4.9% of GDP and Italy 1.4% of GDP. Commentators have noted that many sub-Saharan African economies do not have sufficient capacity to put forward sizeable stimulus packages that compare to their European counterparts.

Central banks in the region are taking actions to cut interest rates and increase liquidity to cushion against the economic shock. In addition to national measures, support measures will be deployed by donor and creditor countries as well as international institutions (including DFIs). For example, the G20 nations have agreed to a standstill on official bilateral debt service payments for low-income countries until 2021 (though they have not found agreement on debt relief).

Multilateral development banks such as the World Bank Group have also pledged up to \$160 billion over the next 15 months as part of their broader economic program. In the short term, the World Bank has committed a \$6.5 billion for a [fast-track facility](#) to support private sector investors and lenders in tackling the pandemic in developing countries. This facility is aimed at providing funds for the purchase of urgent medical equipment, working capital for small and medium enterprises, corporates and individuals and supports short-term funding needs of governments. The International Monetary Fund has also committed to expand its "special drawing rights" in a bid to offer a liquidity boost, but it is facing resistance from key shareholders in backing these measures. We expect further packages key to African economies ahead of the annual spring meetings between the World Bank Group and the International Monetary Fund.

We have outlined the state support packages available in the top 15 economies by highest GDP and Mauritius (due to its importance as a financial hub) below. The procedures for applying for and receiving the different reliefs vary, and we can help guide you through them.

MEASURES IN THE MAIN AFRICAN ECONOMIES¹

Nigeria

GDP: \$397.3 billion

The Nigerian government has launched a number of measures aimed at stimulating the economy and readying its healthcare systems:

- a fiscal stimulus of \$1.5 billion has been approved to support healthcare facilities, provide relief for taxpayers and incentivise employers to retain and recruit staff;
- a “COVID-19 Basket Fund” has been implemented in collaboration with the UN system in Nigeria to distribute funding to healthcare companies to procure medical goods. The fund will serve as a financing and investment platform for diverse stakeholders to channel financial support;
- the Central Bank of Nigeria has announced, amongst other measures, an unprecedented \$3 billion stimulus package for critical sectors of the economy, the creation of a \$140 million targeted credit facility for households and SMEs, credit support for the healthcare industry, regulatory forbearance to banks to restructure terms of facilities and extensions of credit to the private sector;
- moratoriums on all federal government-funded loans, a one-year extension of a moratorium on principal repayments for Central Bank of Nigeria intervention facilities and a three-month repayment moratorium for all TraderMoni, MarketMoni and FarmerMoni loans;
- extensions on the filing due date for VAT;
- an Emergency Economic Stimulus Bill to protect employees by giving tax rebates of up to 50% on the total amount due for companies that do not lay off their employees from March 1 to December 31 2020; and
- a planned reduction in the federal government 2020 budget by \$4.9 billion and a reduction in the crude oil benchmark price from \$57 to \$30 to combat the affect of a global reduction in oil consumption because of COVID-19.

¹ Please note that domestic currencies have been converted to USD at a rate set on 20 April 2020.

South Africa

GDP: \$ 368.3 billion

The South African government has announced a range of measures to fortify businesses, including:

- a \$163 million package for industrial funding to companies critical to national efforts to fight COVID-19. This package will comprise of the provision of working capital, bridging finance and trade finance. There will be a further allocation of \$163m in Q2 to continue this support. The funding will only be available for businesses which are 100% owned by South African citizens;
- a Debt Relief Fund. The funds will provide debt relief for SMEs for existing debts and repayments. The Debt Relief Fund will also assist SMEs in acquiring raw materials and paying labour and other operational costs. SMEs will only be eligible if a company is 100% owned by South African citizens, has 70% South African employees and is registered with the appropriate regulatory bodies;
- a Business Growth and Resilience Facility. This facility available to SMEs will offer working capital, stock, bridging finance, order finance and equipment finance. SMEs will only be eligible if a company is 100% owned by South African citizens, has 70% South African employees and is registered with the appropriate regulatory bodies;
- the Unemployment Insurance Fund developing a temporary Employer/ Employee Relief Scheme of \$2 billion. The scheme will assist employers, sectoral associations and bargaining councils directly who are unable to pay a full salary to their workers because of lockdown measures; the fund will top up the salary payments up to a maximum of \$352 a month. Employers will not need to prove financial distress but will only be able to apply if they had registered with the Unemployment Insurance Fund before the pandemic;
- the central bank announcing temporary relief on bank capital requirements and also issuing guidance on dividends and cash bonus distribution (to ensure sufficient levels of capital preservation), a reduction in the liquidity coverage ration requirements from 100% to 80%, reducing the central bank rate to 4.25%, a program to purchase government securities on the secondary market, a reduction in the repo rate from 6.25% to 5.25% and a commitment to raise the size of the central bank's main weekly refinancing operations;
- the National Empowerment Fund setting aside 10.5 million dollars to create a loan facility for black South African entrepreneurs. This facility is aimed at entrepreneurs

who manufacture and supply medical products. The loans of up to \$527,000 will be offered at 0% interest for the first year and thereafter at 2.5% per annum for a term of up to five years;

- domestic banks offering three-month debt payment holidays;
- a [temporary competition exemptions](#) for the banking and retail sector to allow banks and businesses to work together to devise relief measures; and
- relief for tax-compliant businesses with an annual turnover of less than \$2 million. Eligible businesses will be able to delay their corporate income tax payments without penalties or interest over the next six months; they may also delay 20% of their pay-as-you-earn liabilities over the next four months. Various other temporary employment tax-relief measures have been enacted to encourage employers to continue to maintain their workforce.

Egypt

GDP: \$250.9 billion

The Egyptian government has earmarked a \$6.13 billion stimulus package equating to 1.8% of GDP to cushion the economic impact of COVID-19. This package includes:

- a \$3.17 billion fund to support industries in the tourism sector:
- lowering energy costs for the entire industrial sector (the price of natural gas has been lowered by 25% for cement manufacturers and 18% for ceramics and metallurgy manufacturers);
- an allocation of \$1.2 billion to shore up the Egyptian stock exchange and significant tax reliefs on transactions to support equity investors. Foreign investors will pay stamp tax at a reduced rate of 0.125% from 0.15%, and all spot transactions will be exempt from stamp tax. Foreign investors will be permanently exempt from capital gains tax with domestic investor's capital gains tax postponed until 1 January 2022. Investors will also now pay a withholding tax on dividend payouts from listed companies, a reduction of 5%;
- real estate tax relief for business in the industrial and tourism sectors. The tax relief includes a three-month tax holiday on real-estate with permission to pay any outstanding liabilities in monthly instalments over the next six months;
- a 3% cut in the central bank rate from 13.25% to 10.25%. The central bank has also instructed domestic banks to provide the credit limits necessary to finance working capital requirements of existing business customers and has launched a \$1.2 billion stock-purchase program; and
- the central bank giving SMEs a six-month exemption on credit repayments and the fast tracking of the SME Act through Egyptian parliament to give further relief to SMEs.

Algeria

GDP: \$173.8 billion

In response to the sharp decline of oil prices and the coronavirus pandemic, the Algerian government has introduced relatively few fiscal measures. Commentators have suggested that the state may be unable to implement effective responses. The measures announced so far include:

- a postponement of the declaration and payment of income taxes for all individuals and enterprises except large enterprises as well as various tax reliefs on deadline reporting requirements;
- a postponed finance bill which will include a mechanism to deliver compensation for losses incurred by businesses due to COVID-19;
- reduction in state spending levels by 30% and a planned reduction of the import bill by at least \$10 billion;
- an instruction from the central bank to domestic banks and financial institutions to examine the individual situations of each customer and take appropriate relief measures. These measures include extensions of payment deadlines, deferrals of payments, the cancellation of late payment penalties and the extension or renewal of credit lines without the need to provision against them;
- a reduction in the reserve requirement ratio from 10% to 8% for banks and financial institutions, a change in the central bank rate to 3.25% and an easing of solvency, liquidity and NPLs ratio requirements for banks; and
- the temporary suspension of contractual deadlines and the cancellation of financial penalties for delay on all public contracts of the Algerian state and local authorities and public institutions.

Morocco

GDP: \$117.9 billion

Morocco has released \$1.2 billion in funds to stimulate its economy. Initial spending looks to increase the resilience of the health system. Other measures include:

- the option to defer social contribution payments until 30 June 2020 and the option for all SMEs with an annual turnover of less than \$2 million to defer tax payments;
- a stipend ranging \$78 to \$118 a month for households (depending on their composition) with members operating in the informal sector whose activities have been impacted by the lockdown;
- employees who have had pay suspended due to COVID-19 and who are registered with the National Social Security Fund (the Moroccan state pension fund) will be eligible for a payment of \$203 a month from the state;
- tax exemptions for additional compensation paid by firms to employees in the formal sector up to a limit of 50% of the average monthly net salary;
- a moratorium on loan repayments for SMEs and self-employed people;
- increased liquidity support to SMEs. The central bank will guarantee 95% of domestic banks' new short-term loans to SMEs through the Central Guarantee Fund. These new lines of credit aim to provide working capital of up to \$2 million and exceptional overdrafts of up to \$500,000. Whilst this scheme is only available for SMEs with annual turnover of less than \$20 million, it is noted that companies with an annual turnover of up to \$50 million may benefit on a case-by-case basis;
- a three-month optional delay for the payment of bank commitments connected to consumer and mortgage loans until 30 June 2020; and
- the central bank's expansion of the range of collateral accepted for repos and credit guarantees to include public and private debt instruments and the provision of FX swaps to domestic banks.

Kenya

GDP: \$87.9 billion

\$375 million in funds have been earmarked for the COVID-19 response. These funds have been designated mainly for additional health expenditure; however, there are planned funds available for expediting payments of existing obligations to maintain cash flow for businesses – many of the measures have not been confirmed. Other measures include:

- economic relief in the form of a \$5 million fund to support the tourism industry;
- a package of tax measures, including a reduction of the turnover tax rate on small businesses from 3% to 1% and of the standard VAT rate from 16% to 14% as well as a reduction of the resident corporate income tax from 30% to 25%;
- the government encouraging all domestic commercial banks to restructure nonperforming loans caused by COVID-19 and to be flexible regarding loan classification as nonperforming;
- central bank policy changes which allow SMEs to make larger mobile money transfers; and
- the central bank cutting its policy rate from 8.25% to 7.25% and reducing the cash reserve ratio from 5.25% to 4.25% to improve access to liquidity in the market.

Angola

GDP: \$105.8 billion

As well as receiving a grant of \$12.5 million from the UN, Angola has approved an estimated \$40 million to be spent in fortifying its healthcare system. Full spending details have not been reported. Other measures include:

- allowing financial institutions that carry out lending to grant borrowers a moratorium of 60 days for the servicing of debt. The measure, which initially runs for two months from 30 March 2020, is aimed at guaranteeing flexibility on credit obligations;
- the central bank's announcement of a liquidity line equivalent to \$186 million for the purchase of nongovernment securities from nonfinancial corporations. In addition, the central bank has enacted a credit-stimulus program that allows banks to deduct from their reserve requirement obligations the amount of credit extended to selected sectors important to the fight against COVID-19;
- the temporary exemption of food and medicines from import taxes, delays on filing taxes for selected imports and tax exemptions for humanitarian aid and donations; and
- various anticipated economic reforms aimed at diversifying the Angolan economy from its dependence on oil and encouraging global trade with Angola.

Ethiopia

GDP: \$84.4 billion

Ethiopia has announced initial measures (many of which have not been formalised) which include:

- A \$1.64 billion fund (equivalent to 1.6% of GDP) to be implemented over the next three months for a “Multi-Sectoral Preparedness and Response Plan”. The plan is anticipated to be divided between emergency food distribution, health sector response, logistics and allocations to agricultural sector support;
- the central bank committing to inject \$45 million in additional liquidity to domestic banks to facilitate debt restrictions and prevent bankruptcies;
- the expansion to 16 new cities in the next two months of the Urban Productive Safety Net Program in collaboration with the World Bank to support businesses and ensure job protection in urban areas at an estimated cost of \$134 million; and
- tax exemptions for the imports of goods in certain sectors.

Ghana

GDP: \$65.5 billion

Ghana has announced an impressive panoply of measures, including:

- a \$100 million initial fund earmarked to generally prepare the Ghanaian healthcare system;
- a \$166 million dollar fund aimed at supporting selected industries. It is understood that this fund will be aimed at supporting SMEs, backing the creation of state guarantees to loans (as seen in other countries) and bolstering the pharmaceutical sector;
- withdrawing \$218 million from the Ghanaian stabilisation fund to increase market liquidity;
- paying 50% of electricity bills for commercial consumers until June and absorbing all water bills;
- measures by the central bank to cut interest rates from 16% to 14.5%, lower domestic bank reserve requirements from 10% to 8%, lower the capital conservation buffer from 3% to 1.5% and revise the classification rules for specific loan categories;
- lowering the cost of mobile payments for the next three months, which should facilitate business payments for SMEs; and
- a postponement of interest payments on nonmarketable domestic bonds held by public institutions.

Tanzania

GDP: \$58 billion

Currently there are no fiscal stimulus packages in operation in Tanzania. With tourism making up a large portion of Tanzania's annual GDP, we expect to see government support for this sector in the coming months.

Democratic Republic of Congo (DRC)

GDP: \$47.2 billion

The DRC has announced a budget of \$135 million, with the exact details on deployment still to be given. Initial reports suggest that the money is to be directed to strengthen the healthcare system. Further measures include:

- the prohibition of mass dismissals caused by lockdown measures;
- the utilisation of the Fund for the Promotion of Industry, which will provide financing at a 0% rate of interest to the Congolese industrial sector;
- a temporary suspension of tax auditing/reporting for companies;
- tax measures including a grace period for businesses in tax arrears, VAT exemption on pharmaceutical products and basic goods and full tax deductibility of any donations made to the COVID-19 relief fund;
- paying the water and electricity costs of SMEs, households and hospitals;
- the prohibition on the eviction of tenants until June 2020; and
- several central bank initiatives, specifically, reducing the central bank interest rate to 7.5% from 9, eliminating mandatory reserve requirements on demand deposits in local currency and creating a new funding facility for domestic commercial banks for up to 24 months to ensure that there is sufficient credit backing for the importation and production of food. The central bank has also postponed the adoption of new minimum capital requirements and encouraged domestic banks to restructure all nonperforming loans.

Côte d'Ivoire

GDP: \$43 billion

Côte d'Ivoire has implanted a raft of measures aimed at mitigating the economic impacts of the pandemic and implementing a health response plan. These encompass:

- a financial stimulus package of \$451 million granted to domestic banks to ensure that businesses have access to working capital;
- a central bank collateral framework which encourages domestic banks to be flexible with SMEs with repayment difficulties by postponing repayment by three months on debt and an adjustment of the classification framework for what constitutes a nonperforming loan;
- a package of economic measures aimed at providing relief to hard-hit sectors. One of these measures is the setting up of a private sector fund of \$331 million aimed at strengthening SMEs and a further fund of \$132 million which will act as a guarantee fund to ensure SMEs have sufficient access to credit lines;
- a support fund of \$132 million for the informal sector (details of which have not been specified);
- sector-specific funds of \$331 million to sectors intrinsic to the main economy such as cashew nut production, cotton, rubber, oil palm, cocoa and coffee and a further fund of \$66 million to agricultural production;
- a decrease in the cost of mobile money transfers; and
- the postponement until August 2020 of final deadlines for electricity and water bills.

Libya

GDP: \$48.4 billion

Libya has announced a \$354 million emergency-financing package reported to be aimed at expanding testing for COVID-19 and supporting the health system. After years of instability in the country it appears that any future financing packages will be directed towards supporting the health system as opposed to fiscal stimulus.

Tunisia

GDP: \$39.9 billion

As well as a recent \$745 million disbursement to Tunisia by the IMF, Tunisia is allocating a reported \$850 million to combat the economic and social effects of the pandemic. It is noted that many of the industries key to the Tunisian economy are already heavily indebted to the central bank. It is understood that state aid measures include:

- a \$172 million state-backed guarantee line for private companies to ensure sufficient working capital. It is reported that the state loans will have a two year interest-free grace period and will be for a term of seven years;
- a \$172 million fund raised to increase the stock of basic household items and pharmaceuticals;
- an investment fund of \$172 million to provide working capital for large strategic companies and prevent mass lay-offs;
- a \$34 million bridging fund for the takeover of publicly owned investment funds facing difficulties. The newly state owned funds will be repurposed to provide stability and further financing for strategic sectors;
- a \$34 million fund raised to finance acquisition of key equipment needed for hospitals;
- a \$103 million fund to be distributed to those in temporary unemployment due to the pandemic;
- the ability to delay VAT and income tax filings, the ability to defer bank and financial institution debts for a period of six months, the option to renegotiate existing tax and customs debts with a payment plan of up to seven years, the cancellation of penalties

for companies with public procurement contracts for up to six months and a postponement on tax late payment fines until 30 June 2020;

- a suspension of all deadlines relating to tax audit procedures;
- the revaluation of built and unbuilt property on the basis of current actual value and an exemption from capital gains tax on the revaluation of the property held for sale;
- an exceptional authorisation to sell 100% of goods in the domestic market for companies that are traditionally exporters operating in the health and agri-food sectors and an increase from 30% to 50% for companies which are exporters of other goods;
- the central bank cutting interest rates to 6.75% , suspending fees on electronic payments and withdrawals and asking banks to postpone credit reimbursements by employees for a period of up to six months; and
- words of warning to domestic companies that an exceptional tax could be raised if enough funds have not been raised.

Cameroon

GDP: \$38.7 billion

Although Cameroon is planning to largely maintain the level of investment envisaged in their 2020 budget, which was aimed at protecting growth in face of an oil price slump, the government has earmarked \$100 million for crisis and health-related spending to be utilised in the next three months. Other announced measures include:

- a central bank reduction in interest rates to 3.25% and a reduction in the Marginal Lending Facility rate to 5%;
- an increase in liquidity provisions to \$827 million; and
- the central bank widening the definitions of private instruments accepted as collateral in monetary operations.

Mauritius

GDP: \$14.2 billion

Mauritius has been included in this update due to its importance as an international financial hub. Mauritius has announced a raft of measures and increased fiscal support measures by an additional \$100 million to combat the impact of COVID-19. Measures outlined include:

- a \$67.5 million fund raised by the State Investment Corporation to make equity investments in troubled firms. It is reported that this will include credit lines available for SMEs; the Financial Services Commission indicating that they will show flexibility to companies if they face challenges in meeting reporting obligations and will consider delays on a case by case basis. The Commission has also indicated that they suspend administrative penalties for late filings and reporting obligations that were due for the end of March 2020, provided that late filing was due to the impact of COVID-19, and that submissions are made on or before 30 June 2020;
- central bank funds of \$125 million which will be administered by domestic banks to provide working capital to applicable businesses. The central bank has also announced additional measures including an SME targeted \$300 million foreign currency line of credit targeting businesses with foreign currency earnings, foreign currency Swap arrangements to support import orientated businesses, a moratorium of six months on capital repayments for loans for businesses impact by COVID-19, and a reduction of the cash reserve ratio for domestic banks from 9 % to 8%;
- the central bank easing of supervisory guidelines for handling credit impairments and the creation of \$125 million of central bank bonds to retail investors;
- a wage assistance subsidy available to all businesses of up to \$314 a month per employee and support package for workers in the informal sector of up to 50% of minimum wage if they register with the Mauritian revenue authorities;
- an extension of labour contracts set to expire due to COVID-19 will be extended through to December 2020; and
- a reduction in electricity rates for SMEs.

For more information regarding the coronavirus, please visit our [Coronavirus Resource Center](#).

Please do not hesitate to contact us with any questions.

We at Debevoise are available to help access these measures; please reach out to the following contacts if you need any assistance:

LONDON



Geoffrey P. Burgess
gpburgess@debevoise.com



Edoardo Troina
etroina@debevoise.com