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AFRODEBT

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INFLUENCING POLICY

STRENGTHENING CIVIL SOCIETY PLATFORM

CONTRIBUTION TO KNOWLEDGE

AFRODEBT
1ST QUARTER 2020/VOLUME 8

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Greetings from AFRODAD!

We are halfway through the year and the AFRODAD Team has been keeping safe. We hope we find you well.

Annual plans we made towards the end of last year have been greatly hampered because of the Covid-19 pandemic and many challenges that have risen with it. However, AFRODAD has moved on with influencing policy, contributing to knowledge on debt management, domestic resources mobilisation and international public finance as well as networking with like-minded organisations.

Majority of African countries were already facing heightened debt vulnerabilities and rising debt costs before the Covid-19 outbreak. For many years, these countries have continued to spend more on servicing their debts than on healthcare and education combined. There is need now for debt relief given that the global economy has entered a period of a synchronized slow down, with recovery only expected after about 24 to 36 months. Development partners should consider debt relief and forbearance of interest payments over a 2 to 3-year period for all African countries, Low-Income Countries (LICs) and Middle Income Countries (MICs) alike.

We continue appreciating our partners' support at different aspects, both financial and programmatic. Through this newsletter we share how AFRODAD has managed to remain relevant during these changing and uncertain times. This is the 8th Volume of the AFRODEBT, a special edition because its flow is different from the usual implementation and recommendation update. To subscribe or to receive a hard copy, write to us at communications@afrodad.co.zw detailing your mailing contacts.

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Sovereign Debt Dimensions of the Outbreak of COVID-19 in Africa

By Tirivangani Mutazu

The COVID-19 disease now commonly known as Corona virus originated, in Wuhan, province of China. The knowledge of its existence was kept away from the world until December 2019. The disease has now swept across Europe and North America. As of 09 July 2020, close to 11,977,178million positive cases had been recorded with 547,686 deaths and 5,382,978 recoveries.

The outbreak of the Covid-19 pandemic has led to mass fear and panic worldwide. Although the rate of spread and infection in Africa is not yet too high, concerns are being raised regarding Africa's preparedness and its ability to contain the situation. At the time of writing, all African countries had reported positive cases totaling to 508,114 with 11,978 deaths and 245,033 recoveries. South Africa tops the list with over 97,302 positives followed by Egypt at 38284, Nigeria 13,873, Algeria 10,484 and Ghana 10,201 positive cases. To slow down and eventually stem the spread of the pandemic, most countries have adopted a range of stringent measures including the closure of education institutions, the cancellation of gatherings and sporting events and 14, 21 or 30day lock downs. Nonetheless, these lockdowns have implications on taxation as companies have downed tools.

The outbreak of the COVID-19 has forced many African countries to order mandatory national lockdowns to contain the spread of the disease. The mandatory lockdown has caused industrial companies in critical sectors of the economy to be closed for 14 or 21 days. Spared are those working in the electricity sector, provision of water, gas, fuel, and information technology. These companies are critical for the fight against the spread of COVID-19.

COVID-19 is a global health emergency which has caused a global economic crisis, especially in African economies. Experts predict that the impact of the COVID-19 crisis is much deeper and more complex than that of the Global Economic 2008/09 financial crisis. Covid-19 is also an economic shock that has disrupted both wealthy and poor economies. Impact for Africa is both short term and long term according to African Ministers of Finance.

The outbreak of the COVID-19 has forced many African countries to order mandatory national lockdowns to contain the spread of the disease.

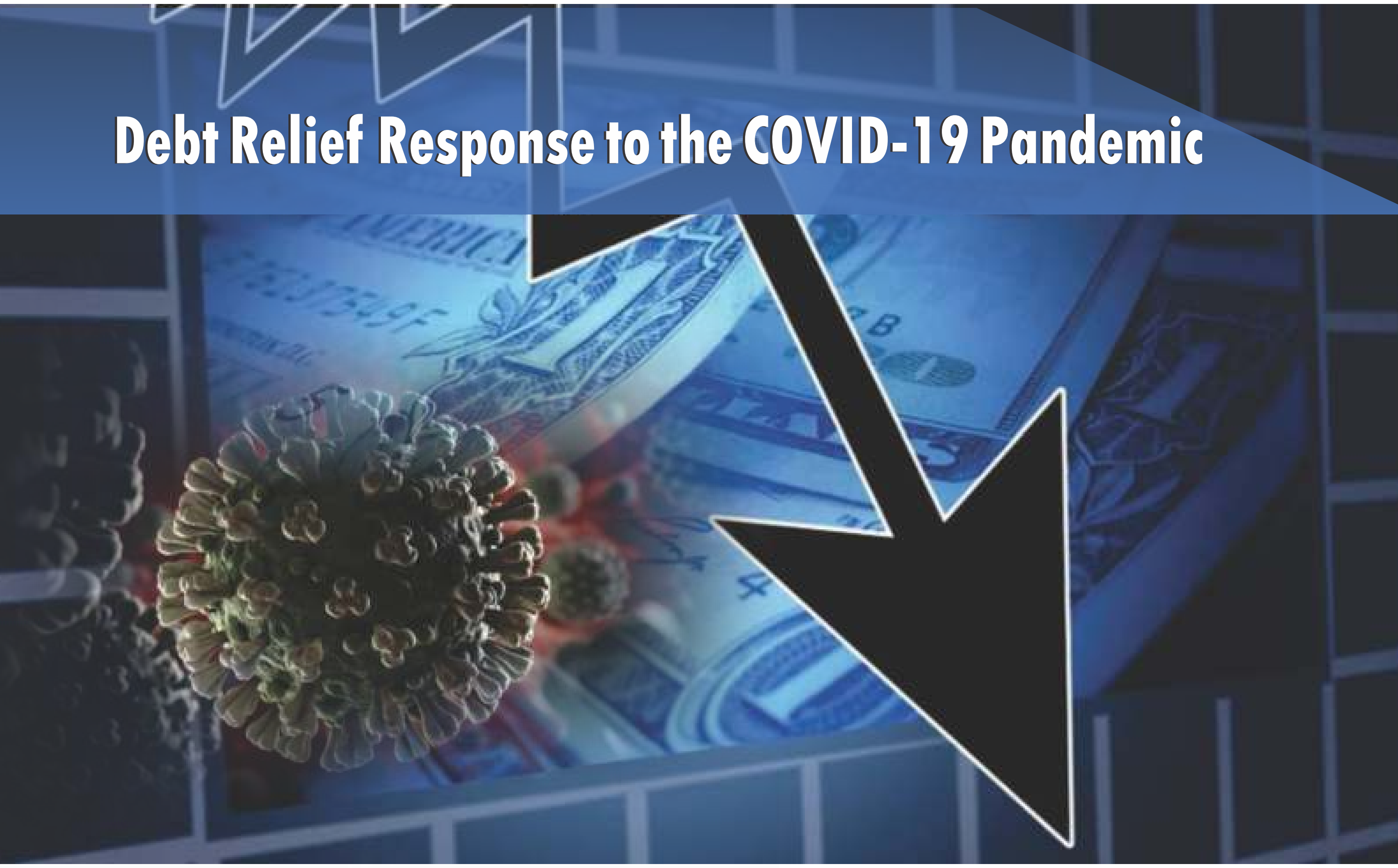
African Countries Health Systems and Infrastructure pre-COVID-19

Since the imposition of the Structural Adjustment Programmes (ESAPs) by the International Financial Fund (IMF) in the 1990s, many African countries' health systems and infrastructure suffered major financial neglect reaching dysfunctional levels and total collapse due to policy conditionality. In April 2001, the African Union countries met and pledged in the Abuja Declaration to set a target of allocating at least 15% of their annual budget towards improving the health sector and it urged donor countries to scale up support. Nineteen (19) years later, many African countries are far from reaching this target, Sub-Saharan Africa allocating an average of 5.18%.

African countries efforts to prevent and control COVID-19 infections will be greatly hampered by current poor health systems and infrastructure, which is a sub-set of socio-economic challenges bedeviling the continent. In developed economies, governments have come up with stimulus packages to cushion businesses and citizens and to offset immediate costs of COVID-19. Some of the stimulus measures include mortgage and rent payments paused, bailouts for business and airlines and cheques for the unemployed. This is despite the fact that they have strong economies including advanced and well-funded healthcare systems. Bailout involves free money, a grant or money at zero interest. The United States of America (USA) has initiated a USD 2trillion package, called CARE (Corona Aid and Relief Emergency); Switzerland USD 10.6 billion and Indonesia USD12 billion.

African economies lack the financial muscles to invest a fraction of what big economies have invested so far. Public health systems are under-funded and there is a health personnel shortage due to brain drain to developed economies; health workers – doctors and nurses_ are less committed due to poor remunerations. Africa needs resources to procure protective equipment for the nurses and the doctors fighting corona, ventilators, machines, drugs, and training of staff. Private health services providers offer good services to the rich but this is limited. They are not geared up for the COVID-19 public health emergency. African countries are still faced with malnutrition, HIV/Aids, unemployment, poverty, and water and sanitation challenges. The World Health Organisation's (WHO) Director, General Tedros Adhanom Ghebreyesus, foresees Africa pandemic preparedness struggles due to inadequate healthcare systems.

Debt Relief Response to the COVID-19 Pandemic



The IMF proposal to expand debt relief and provide grant-like aid to the world's poorest countries to bolster healthcare is welcome. The IMF is using Catastrophe Containment and Relief Trust (CCRT) mechanism, which enables it to deliver grants for debt relief in favour of eligible low-income countries in the wake of catastrophic natural disasters and major, fast-spreading public health emergencies. The CCRT was used to deliver debt relief to deal with the 2014 – 2016 Ebola epidemic in Guinea, Sierra Leone, and Liberia; the IMF cancelled USD$ 100milliom in debt for these affected countries.

Abebe Selassie, director of IMF's Africa department, is quoted saying "the continent has faced its deepest economic challenge over several generations. Bilateral lenders should consider immediate debt relief, he said, while the IMF would waive debt payments for the poorest countries."

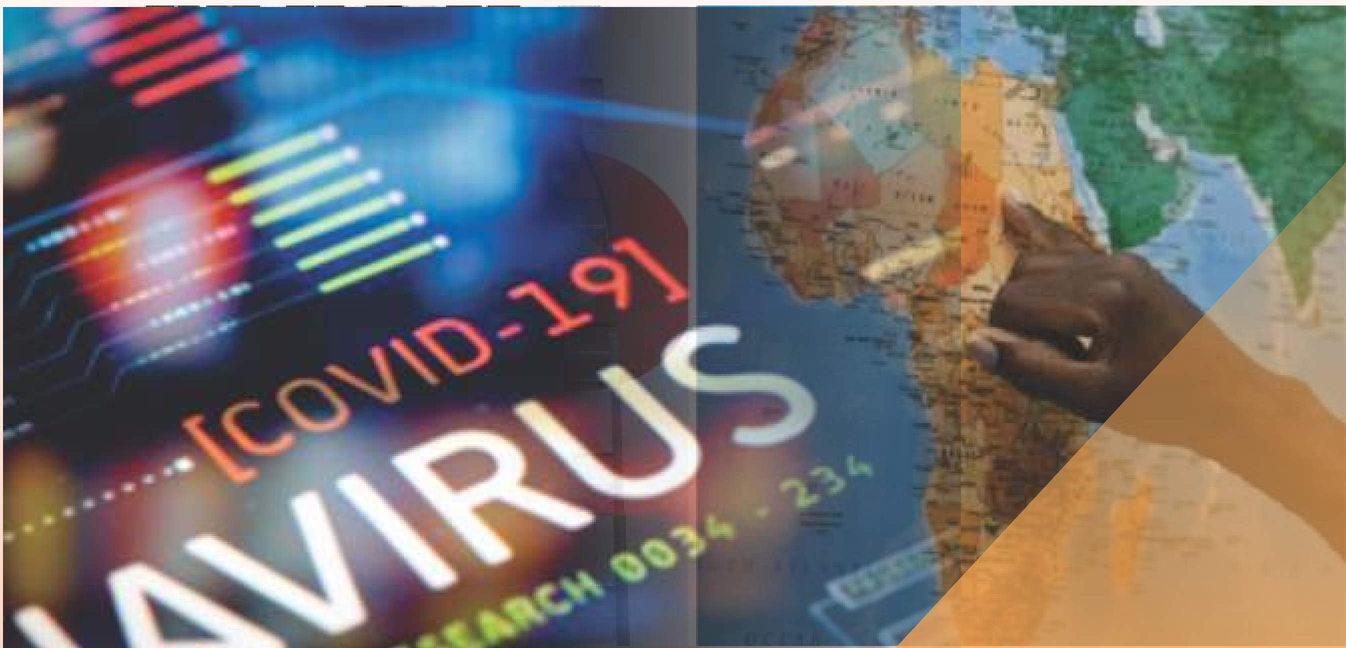
The IMF and World Bank called on the Group of 20 (G20) to suspend debt payments owed by the 76 poorest countries in the world. The IMF announced it would double its capacity to provide emergency financing and aid to all countries that need it to prevent financial crisis in the face of Covid-19. World leaders have agreed to debt relief before: In 2005, The Group of 8 (G8) cancelled debt of world's 18 heavily indebted countries to the tune of USD $40billion.

In addition, Sen. Bernie Sanders and Rep. Ilhan Omar led more than 300 international lawmakers across two dozen countries in a letter to the leadership of the World Bank and the International Monetary Fund calling on the international financial institutions to cancel low-income countries' debt in response to the global COVID-19 crisis and to also provide a major infusion of financial support to avert a global economic meltdown. In her response, Kristalina Georgieva IMF's managing Director highlighted that though the IMF and World Bank's charters prevent the institutions from simply writing off debt, the fund will need to successfully complete the challenging task of mobilizing financial contributions from donors for the repayment of IMF and World Bank claims on The International Development Association (IDA) that helps the world's poorest countries. She shared in her letter that two main IMF's strategies were to (i) ensure that IDA countries have access to enough external financing on affordable terms to fight the health and economic consequences of COVID-19. She mentioned that IMF had adjusted lending policies to provide emergency financing faster and in greater volumes than ever before; (ii) support IDA countries in the fight for debt relief on an as-needed basis. She emphasised that this process would focus on countries whose debts are unsustainable, rather than the entire IDA group; and that it would also involve debt relief by official bilateral creditors and, importantly, the private sector, enabling International Financial Institutions (IFIs) to continue their vital role, consistent with their respective mandates, as providers of both balance of payments support and stable, low-cost developmental finance.

Majority of African countries were already facing heightened debt vulnerabilities and rising debt costs before the Covid-19 outbreak. For many years, these countries have continued to spend more on servicing their debts than on healthcare and education combined. Countries such as Angola and Ghana spend around 55% of their annual budget on debt servicing. Debt service relief to ALL creditors' debt obligations by African countries would help them channel more of their scarce financial resources to the fight against COVID-19. With the increasing rate of infections and deaths, African countries' healthcare system will be under enormous strain to accommodate Covid-19 patients. Pandemic's debt relief funds need should bolster healthcare systems in Africa. This includes building clinics, hospitals, training and recruiting more health personnel, improving working conditions for health personnel and stocking adequate medications.

African Ministers of Finance held a second virtual meeting, on the 31st March, Tuesday, and called for "*debt relief from bilateral, multilateral and commercial partners with the support of the multilateral and bilateral financial institutions such as the IMF, the WBG, and EU, to ensure that African countries get the fiscal space required to deal with the Covid19 crisis. The call for debt relief, it was emphasized, should be for all of Africa and should be undertaken in a coordinated and collaborative way. They called for a special purpose vehicle to be created to deal with all sovereign debt obligations. Substantial drops in revenue from commodity price coupled with increasing imports' costs are putting pressure on both inflation and the exchange rate.*

There is need for a longer period for debt relief given that the global economy has entered a period of a synchronized slow down*, with recovery only expected after about 24 to 36 months. Development partners should consider debt relief and forbearance of interest payments over a 2 to 3-year period for all African countries, Low-Income Countries (LICs) and Middle-Income Countries (MICs) alike*."



African Governments' Covid-19 Home Grown Economic and Financial Packages

Most of the African countries have instituted the following measures to contain the impact of Covid-19:

- Gazetted legal framework to guide the fight against Covid-19;
- Instituted Lockdowns;
- Redirect capital expenditure allocations under their National Budgets towards health-related expenditures such as water supply and sanitation programmes;
- Cuts from government ministry allocations/budgets and redirect the resources to Covid-19;
- Mobilising and ring-fencing Foreign Currency funds for urgent and immediate health related imports such as sanitizers, ventilators, protective equipment and drugs;
- Suspension of Duties and Taxes on Covid-19 essential goods: essential drugs, medical equipment related to testing, protection, sterilization and other medical consumables;
- Existing National Disaster Funds to be used to fight Covid-19;
- Hiring Additional medical staff – unfreezing of health sector staff;
- Cash Transfer programmes for vulnerable groups.

Recommendations

- African governments need to initiate their own Covid-19 home grown economic and financial packages;
- Covid-19 debt relief resources must only be utilized to strengthen current poor health systems and infrastructure;
- Civil Society Organisations (CSOs) need to monitor the usage of all debt relief funds extended to countries as they did during the *Heavily Indebted Poor* Countries (*HIPC*) Initiative and Multilateral Debt Relief Initiative (*MDRI*) HIPC/MDRI period 1996 – 2005.
- African governments must mitigate an economic slowdown through fiscal measures, such as tax breaks and specific subsidies for companies and individuals, and non-fiscal measures to stimulate exports and imports;
- Most companies in the formal sector will need reduction in corporate income tax to promote their survival. There is also need for income tax exemption for employees in the formal sector;
- Africa's informal sector employs large numbers of people. Governments need to institute packages that contain subsidies for basic needs;
- In country development partners need to support governments, private sector, religious, Non-Governmental Organisations (NGOs) and individuals' efforts to fight the pandemic;
- Governments need to conduct more comprehensive evaluation of the impact of COVID-19.

Covid-19 and Domestic Resource Mobilisation: A wake-up Call for Africa

By Rangarirai Chikova

Given that even developed countries are overwhelmed, there is fear that the African continent may be disproportionately affected as a result of its dependence on aid, loan contraction and failure to mobilise resources domestically. Africa is endowed with vast mineral resources that if properly exploited, have a greater potential to transform the continent. A quick snapshot of the continent reveals that it is heavily affected by Illicit Financial Flows (IFFs) which are seen as a cost on national fiscus. This negatively implies on government resources to deal with health pandemics such as Covid-19. To cushion themselves, many African countries have eagerly waited for donations from China and other international donors such as WHO and have developed a heavy appetite to contract loans. Ironically, Africa is a net creditor to the world as it losses more that it receives as aid. Against this backdrop, this paper argues that Africa should curb IFFs to increase the amount of domestic resources for development rather than relying on aid and debt which are unpredictable and unsustainable.

Africa's Health Sector is not Adequately Funded

Dealing with a health pandemic such as Covid-19 requires resources to pay health workers as they work over time. There is also need to secure protective gears for doctors, masks and gloves for the general public and perhaps providing grants to vulnerable groups affected by lockdowns. According to Gopaldas (2020), the pandemic will have drastic consequences in Africa especially in many countries that still have poor public health infrastructure and weak social welfare systems. Africa's health sector has been crippled by the prevalence of IFFs which drain government revenues. The most immediate impact of IFFs is loss of revenue, hence, a reduction in domestic expenditure to critical sectors such as health.

Furthermore, IFFs make budget deficits a perennial problem. When governments are unable to harness domestic resources due to IFFs, their crucial basic sectors remain underfunded. This means fewer resources to critical sectors such as health, education, social protection and industrial rehabilitation. Expressed as Gross Domestic Product (GDP), African governments have spent less on health as compared to amounts lost through IFFs. Implied here is that African governments are losing more through IFFs than what they are actually spending on the health sector. Given that Sub-Saharan African (SSA) countries have lower per capita spending on crucial public services such as health, it is likely that the losses (IFFs) translate most directly into forgone human development in dealing with Covid-19 pandemic. If African countries had managed to curb IFFs, there would have been more resources to be invested in the health sector and this would have consequently improved measures to deal with Covid-19.

Reliance on Aid and Debt to Cope with the Situation

Failure to mobilise resources domestically through taxation has compelled the continent to rely on aid and loan contraction. As noted earlier, IFFs exhaust the national fiscus and results in budget deficits.. The Covid-19 pandemic has exposed Africa's dependence syndrome where countries were eagerly and desperately waiting for donations from Chinese billionaire Jack Ma. This is not to say aid is wrong. The point here is that there should be limited reliance on donations and that aid should complement and not replace domestic resources mobilisation.

The Irony

In terms of net resource transfers in most African countries, the outflow of capital reserves outweighs the inflows of capital into the continent thus making Africa a net creditor to the world. This is because outflows of capital reserves are largely driven by the high amount of unrecorded capital flows, also called IFFs. Global Financial Integrity (2015) estimated that up to $1.4 trillion in net resources transfer left the African continent between 1980 and 2009. In 2009 alone the amount off IFFs out of Africa was three times the amount of Official Development Assistance (ODA) received. Bad governance, weak institutions and poor regulatory environments create an enabling environment for the outflow of illicit capital (UNECA, 2016). Africa is home to precious minerals that if properly exploited, have the potential to fund the development that the continent is yearning for. It baffles the mind to see such a rich continent failing to cope with the Covid-19 pandemic and relying on acts of kindness from donors.

Implications of Covid-19 on Domestic Resources Mobilisation

Undoubtedly, the Covid-19 has negative connotations on Domestic Resources Mobilisation (DRM). To contain the continuous spread of the virus, many countries have affected 21 day lockdowns with a possibility of extensions. However, some companies have been deemed essential and have been spared. Given that most African countries have narrow tax bases, weak tax collection systems and heavy reliance on commodity revenues, they are bound to struggle under significant pressure due to the #COVID19 pandemic, thus placing further strain to already limited resources. African countries are collecting less than 15% of GDP in taxes in order to generate enough revenue therefore posing challenges to finance their own development. Lockdowns mean that companies and institutions deemed non-essential are closed. Consequently there is limited production of goods and services and this has reduced the revenue base and negatively affected the quality and amount of taxes collected by governments.

The closure of borders affects trade between countries. Many African countries rely on primary commodity exports especially with China, the epicentre of the virus. In addition to the fact that African countries export primary commodities that fetch little export earnings, the ban on goods' movement and the closure of borders will further dwindle Africa's export earnings. For most African economies, the shock is affecting most businesses and also the tax base in which most countries rely on to generate the much-needed revenue. For example, many African countries like Angola, South Africa, Democratic Republic of Congo and Rwanda which are highly dependent on exports to China will be hit the hardest as trading between these African countries and China sours.

Africa has a large informal sector in which informal traders eat what they kill. The imminent lockdown in informal local markets has put pressure on various producers and small to medium enterprises that are mainly operating on thin budgets or on survival mode due to economic decline. Furthermore, the lockdown for most poor African households who live on less than $5.50 per day pose an existential threat. Movement restrictions and directives to stay home affect earnings of informal traders and their disposable incomes. This may also affect governments' VAT earnings.

A wake up call for Africa

IFFs have robbed the African continent of social and economic development and the need to curb the practice has been of great importance. However, it has been an overwhelming challenge especially in Africa. The loss of revenue in Africa through IFFs has left most governments with limited financial space. Lost revenue negatively affects governments' ability to fund important economic projects and in this case the health sector which has been the key sector yet resources are not enough to curb the pandemic.. Instead of relying on unsustainable and unpredictable aid and loans which impose a tax burden on citizens who live on less than $5,50 per day, Africa should wake up to the call of improving domestic resources mobilisation focusing on sectors such as extractives which play a key role in domestic resources mobilisation.

Earmarking of revenues from specific minerals and specific mineral resources taxes and royalties is importantThis will guarantee a flow of revenues from the extractives sector to fund critical sectors such as health and disaster preparedness. Furthermore, African countries should operationalise their Sovereign Wealth Funds so that when disasters like Covid-19 strike, there will be some shock absorbers and enough resources to redress the situation.

African governments need to strengthen their tax systems to reduce revenue losses through tax evasion, tax avoidance, tax breaks, aggressive tax planning and holidays. This entails strengthening revenue authority systems and capacitating revenue authorities in the areas of customs and revenue collection such as the automation of all border tax systems and collection services to eliminate loopholes that may entice officials to cut corners.

Since more than 50% of IFFs emanate from the extractives sector, improved mineral resources governance is critical. Improving transparency and accountability in mining contracts and public participation is crucial in ensuring improved mineral resources governance. There is also need to strengthen the roles of institutions that deal with corruption and their policies must be preventive rather than responsive to IFFs.

· Combating IFFs should involve a plethora of strategies and tactics at different government levels and it requires coordinated efforts of various stakeholders. Governments should involve the private sector and Multi-National Corporations (MNCs) to design and implement strategies for curbing IFFs. T Governments should give clear guidelines and frameworks that enable organizational transparency. Available legal instruments should be fully enforced and perpetrators should be arrested.

· There should be a systematic registration and disclosure of financial beneficiaries of local and international companies or trusts and a detailed breakdown of corporate group accounts. Governments' policy intervention for combating IFFs should be reformed to make them effective. As such there is need for support from the highest political office to create legal and institutional policies that specifically deal with IFFs. There is also need to create awareness on the available legal instruments as well as online toolkits for combating IFFs. This empowers different stakeholders in contributing significantly and effectively in fighting IFFs.

Implications of Covid 19 on International Public Finance in Africa

Challenges and Opportunities for an Effective Response

By Adrian Chikowore

With close to 9 million infections globally, the socio-economic impact of Covid-19 is already shaping up to be significant, yet uneven, across the globe and the African continent. Not only are firms and workers affected but also the fiscal capacity of governments that rely on a healthy economy for their revenue. As the crisis unfolds, the impact on countries will be driven not only by overall economic conditions but specifically parts of the economy where revenue is generated i.e. extractive sector, manufacturing, retail sales, income and wages amongst others. Projections of the likely impact of the pandemic on the global economy vary, however, there is consensus that it will contract given the unforeseen stop of economic activity and the resulting income loss in the manufacturing and service sectors across most advanced countries including China which have experienced adverse effects on financial markets, consumption, investment confidence, international trade and commodity prices.

For developing economies including African, the challenge of containing the socio-economic impact of the Covid-19 pandemic is compounded by persistent fragilities surrounding highly speculative financial positions, in particular, the already unsustainable debt burden associated with highly leveraged corporate loans. The United Nations Economic Commission for Africa (UNECA) Executive Secretary Ms. Vera Songwe noted that "Africa may lose half of its GDP with growth falling from 3.2% to about 2 % due to a number of reasons which include the disruption of global supply chains. More so, UNECA pointed out that the Continent's interconnectedness to affected economies of the European Union, China and the United States has caused ripple effects and would need up to US$ 10.6 billion in unanticipated increases in health spending to curtail the virus from spreading. On the other hand, revenue losses are likely lead to unsustainable debt that has built up over the last decade of easy money and against the backdrop of massive infrastructure development and widening income inequalities.

African countries specifically face diverse pressures and constraints which make it significantly harder for them to enact effective stimulus without facing binding foreign exchange constraints. Also, as these countries do not issue international reserve currencies, they can only obtain them through exports or sales of their reserves. What is more concerning is that developing countries require significant imports of equipment, intermediate goods, know-how and financial business services. Amidst this pandemic, a financial crisis is looming as currency devaluations in developing countries have been instated thus compromising sustainable servicing of debt.

Fiscal Constraints in Africa and Implications to COVID-19 Response

The analysis of the Covid-19 pandemic' impact was mostly concentrated on China and advanced economies since they were initially more affected though they had the monetary and fiscal policy space to respond. Thereafter, analysis had to equally focus on developing countries since two-thirds of the world population live in the developing world in which most African countries are and where response systems for the pandemic are both limited and need comprehensive support. Generally, Covid-19 is expected to increase financial pressures on African economies over the coming months through exerting pressure on the already inadequate government health budgets. Social distancing necessary to stop the pandemic has already led to economic shutdown in most countries and a sharp slump in employment has already taken place.

However implications for Africa are adverse when compared to developed countries that have the administrative capacity and the fiscal space to buttress their social protection systems and protect private incomes. In Africa contractions of incomes are all but inevitable along with falling fiscal revenues. Tighter fiscal space, weak healthcare and social protection systems are exposing African countries to higher human and financial toll while limiting their ability to respond to the emergency. This is triggering a potentially dangerous scenario were African governments will contract loans from both traditional and emerging sources thereby ballooning their debt stocks as they will increasingly need imports of specialized goods and services to deal with the health crisis.

Development Effectiveness Through and Beyond the Pandemic

Despite the fact that the majority of Organisation for Economic Cooperation and Development (OECD) donors have consistently missed agreed ODA targets in the past, the latter remains a vital source of external financing for the poorest of developing countries.

Over a decade since the global financial crisis, an additional $2 trillion could have reached developing countries if Development Assistance Committee (DAC) members had met their commitments, however the current crisis offers an opportunity for donor countries to honour their collective commitment and deliver ODA to African and other developing countries in full and unconditionally. As a critical measure given the immediate situation would be channelling a significant amount of the missing amount of ODA into the touted Marshall Plan for Health Recovery as a fitting way to demonstrate the international solidarity needed to mitigate the crisis in developing countries

The United Nations Commission on Trade and Development (UNCTAD) urgently called for a $2.5 trillion Covid 19 aid package to help developing countries avoid worst-case scenarios and impacts from which at least a $500 billion investment is targeted at poorer countries' emergency health services and related social relief programmes since their financial capacity is likely to be severely limited. The World Bank and the International Finance Corporation have set aside US$14 billion whilst the IMF has availed US$50 billion to support countries with COVID-19 challenge. Whilst this is commendable, development cooperation is critical thus International NGOs need to also join organisations with emergency response experience such as the World Food Programme being critically required.Noteworthy is that given the long-term impact Covid19 will cause_ financing for its combating ought to be sustainable instead of plunging African countries into future fiscal constraints.

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Emerging Development Finance Institutions' Response to Covid-19

As the COVID-19 crisis continues to unfold, leaders of development finance institutions (DFIs) ought to respond in an equally effective and timely manner. While it is impossible to know the comprehensive economic consequences of the public health and economic crisis being faced, governments are beginning to take needed corrective actions to avert devastation from the approaching economic downturn and its potential lasting impacts on humanity. Several DFIs have already made decisive actions on tackling the pandemic, the International Finance Corporation announced an $8 billion additional lending to help existing clients meet needs related to COVID-19, cover banks' payment risks, replenish capital to pay bills and wages, and share banks' risks in serving small and medium-sized enterprises (SMEs).

The African Development Bank (AfDB) issued a three-year $3 billion social bond to alleviate the economic and social impact of the pandemic whilst the New Development Bank (NDB) availed at least $980 million to combat COVID-19. What is then critical is for all development partners as well as African governments to ensure that these funds are employed to avert the crisis in the most prudent and transparent way that ensures that negative social impacts on the African people are minimal. Moreover, African governments need to engage these DFI's with full knowledge of the implications of the financial instruments they will acquire for COVID-19 response. This will also entail the need for development finance civic actors to continuously track financial agreements and disbursements and influencing fiscal justice.

Blending COVID-19 Response amidst Africa's Limited Financial Access

Given that there is no doubt that COVID-19 presents an unprecedented challenge in an ever more connected world, requiring health organizations, governments, and the private sector to work together in the face of human tragedy, the global community has started exploring how blended finance can help respond to the pandemic. Unquestionably, emergency relief funding like government spending and unblended global aid will be crucial to minimizing the impact of COVID-19 in the immediate term. However, blended finance may play an important assisting role in the medium-to-long-term recovery of health systems and economies, especially in the developing world, however, for African countries, assessments remain key on whether blended finance is an ideal financing structural approach.

Currently, the global North has pushed a case on the need of a vaccine for COVID-19 amidst the challenge of insufficient levels of investment in research and development in innovative technologies for health and other emergencies. Within this context; blended finance has been touted as one way to help mobilize additional financing toward vaccine development by allocating the risks and returns among public, philanthropic and private investors. Global North financiers have also put forward the idea of the use of advance market commitments (AMCs) which are contracts in which concessional funders guarantee the future purchase of a service/product not yet available or not available in a particular market at a specific price. This mechanism ensures the acceleration of the development of products like vaccines at affordable prices while enabling manufacturers to leverage economies of scale and reduce costs by contracting large volumes over longer-term periods. The Global Alliance for Vaccines and Immunization's (GAVI) AMC is one current model being exemplified with a model that can be leveraged on or used to ensure that vaccines for effective response are produced and delivered to African countries. Given the negative implications of blended finance for development in developing economies and the urgent need to combat the pandemic, governments and financiers ought to ensure that the use of blended finance maintains a humane pro-poor approach within this difficult era whilst a respecting the business and human rights tenets especially when humanity is under threat.

Conclusions and Recommendations

Managing the COVID-19 pandemic threatens to be a critical challenge for developing economies especially in Africa. The pandemic has seen developed economies plan large fiscal stimulus packages to help households and businesses avert bankruptcy. However, for developing economies in Africa, access to finance is limited as most African countries have risky investment profiles and they tend to be faced by challenges including higher borrowing, fluctuating inflationary spikes, scarce international investors and dwindling sources of foreign incomes that limit their access to fresh capital injections. Overall, these impediments limit the fiscal space of African economies needed to manage the pandemic. In spite of commitments from the developed world, most developing economies have remained unprepared for COVID-19 as they were during the Ebola outbreak as characterised by weak health systems, vulnerable supply chains, and difficulties with proper infection prevention and control. Given this context, stakeholders in the fight against COVID ought to consider the following recommendations:

Recommendations to African Governments

- African governments should implement fiscal policy controls on the rate of interest and the exchange rate by ensuring that central banks cut interest rates and require commercial banks to make corresponding decreases in interest rates on outstanding loans to consumers and businesses.
- Governments should mobilize their own institutional machinery particularly those with presence in rural areas. These include police stations, health clinics and agriculture/livestock offices which could provide logistic bases to reach the rural poor with medical assistance, as well as income and food support.
- Governments should strengthen development coordination systems to ensure effective development cooperation in tackling Covid-19.

Recommendations to Development Partners (OECD-DAC, DFI's, Private Sector)

- The OECD DAC should step up aid efforts and re-commit to the 0.7% of GNI ODA target.
- Development partners should promote the use of the IMF's Special Drawing Rights facility to increase investment injection for weaker economies' fight against Covid-19.
- Creditor countries and DFIs should institute debt freeze for distressed economies, involving an immediate standstill on sovereign debt payments, followed by significant debt relief.

Recommendations to Civil Society including AFRODAD

- Civil Society should track budget support, financial disbursement and monitor procurement systems through Open Data digital platforms to ensure fiscal responsibility and accountability by governments.
- CSOs should also complement development efforts through expert policy influencing on government emergency interventions.
- Civil society organisations should play an oversight role using various social accountability tools to deter corrupt practices throughout emergency relief interventions and beyond.

Can We Look Towards Corporations to Mitigate Growing Debt Crises and Strengthen DRM?

By Lyla Latif

Introduction

Domestic and transnational revenue mobilisation as part of a state's post pandemic recovery strategy is now under scrutiny. The role to be played by finance towards the economic and fiscal stabilisation of African economies on one hand, and its role in facilitating resilient moves towards sustainable development on the other, must now be critically examined. Drivers and producers of finance, these being corporations, must be looked at and included in government responses to the new normal economic, social and fiscal eventualities that will require funding. Such inclusion necessitates revisiting the social contract. In this paper, I want to speculate a little about including corporations as part of the social contract - a very controversial perspective in light of the scolding that corporations have had as a result of inequalities that have emerged out of their liberal capitalistic tendencies and their role in advancing IFFs.

But is it fair game to include corporations as part of Africa's quest under Agenda 2063 to align development with a state's capacity to mobilise revenue locally? In light of the unpaid billions in taxes due to tax evasion and avoidance strategies employed by corporations, can they be trusted to help states meet their development needs? Relatedly, would including corporations as part of the social contract result in a political move that fits within the centre left political ideology or strengthens the hegemonic influence of the far right?

As a political agenda, the far right position is underpinned by capitalism and the free market rhetoric seeking to maintain social hierarchies by representing the dominant groups and protecting private property. The centre left seeks to ensure a balance between maintaining a degree of social hierarchies while promoting social equality through redistributive socio-economic policies. So, are corporations_ Africa's saving grace_ against debt crises and the litmus test to strengthening DRM?

Domestic and transnational revenue mobilisation as part of a state's post pandemic recovery strategy is now under scrutiny

The argument for a tripartite social contract: to include or exclude corporations?

Corporations cannot be ignored in defining the post-pandemic economic and social order. Recession, austerity, unemployment and growing debt crises alongside structural inequalities, market informalities, race and gender discrimination, human rights violations and geopolitical disparities, has resulted in the question of the corporation as a party to the social contract to begin looming around. The social contract, conceived by Locke, Rousseau, Hobbes and others rests on a bi-lateral, governance compact that has undergirded Western societies for three centuries and recently also the post-colonial African states following their decolonisation (1960s onwards) and democratisation. Arguably, under the contract, citizens freely delegate certain roles and responsibilities to government which, in return, provides collective goods such as the rule of law and protection of socio-economic rights, against the imposition of taxation.

The unprecedented scale at which corporations are involved in industrialisation, mineral extraction, cross border trade and digitalisation (subject to the social contract and corporate social responsibility) not only impacts the world's economy but has also given to corporations considerable political influence. Corporations are capable of shaping the social order merely on the basis of their economic, political and financial power (for example, Bill and Melinda Gates Foundation donating billions towards driving narrative on global health law across developing states, tech companies negotiating double tax agreements for greater tax incentives based on research and development etc). The annual revenue of certain corporations (such as Apple Inc, Alphabet, Microsoft etc) tops the GDP of many African states. Relatedly, corporations are responsible for the employment of millions of people globally. The global economy itself is constituted by corporations. Should we then think of renegotiating the social contract with the aim of integrating corporations as part of supporting the rights and duty reciprocal relationship between the state and society? Is this what it will take for a drive towards resilience as states emerge out of the pandemic imposed fiscal, economic and social shocks?

Corporations, facilitated by decades of capitalism and the free market rhetoric on economic liberalisation and tech innovation following (a) post-war, (b) decolonisation and (c) democratisation have strengthened their national and transnational influence economically, socially and also politically. In light of this, does the social contract warrant an update and expansion? If for argument's sake, we were to agree, the next question would be on how and who would harness private interests to serve public interests? Would corporations take responsibility to mitigate systemic risks if they were to become part of the social contract? Would corporations become responsible for repayment of debt on condition of privatisation of public goods? Would this not result in inequalities between those who would be able to access the privatised public goods and services and those who would be unable to? Or would there be a negotiation on which public goods and services can be privatised_ leaving out education, health and social security? These are not easy questions to answer.

It is envisaging a future where government will be replaced by corporations- a sort of a corporate republic. What would this mean for democracy? Digitalisation is already demonstrating the disruption in the way in which healthcare is going to be delivered – the use of telehealth where an African patient speaks to a US based doctor online, who then prescribes medication to be delivered by drones direct to the patient's residence; a subtle shift towards private healthcare despite the global push for universal health coverage to be provided by the government with regard to the ability or inability to pay. Corporations have shown resilience in going beyond economic policies to taking leadership roles on social issues where many African states are out of step. For example, zoom, Google meets and Microsoft teams available for free public use has been developed by corporations and not governments, yet the latter are advocating for these platforms to be used as alternatives to remote working and learning during the pandemic.

It is important to remember that the real agenda of corporations is not to just provide public good but to invest where public good will increase their profits. Hence, social responsibility under corporations may promote inequality and economic policies that may devastate the working class. Would a commitment to Sustainable Development Goals (SDGs) counter this assertion? Would achieving SDGs by corporate fiat be equal, fair and methodical? Corporations at the intersection of economic and political power would have undue influence over public policy and such dominance may give rise to new market dynamics that may work for or erode African socio-economic livelihoods. Can corporations guarantee provision of basic housing, education and healthcare in return for acquiring government debt?
Can the public accept for corporations to dictate socio-economic policies with the role of government as an ombudsman to protect human rights against corporate violations as the basis upon which the social contract is updated?

What are your views?

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