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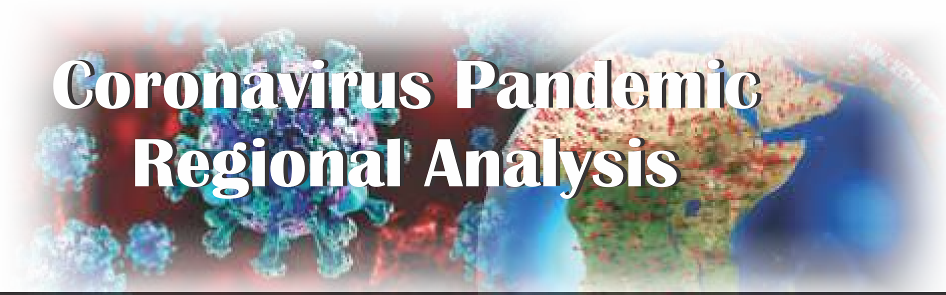


COVID-19 - DEBT SUSTAINABILITY IMPACTS AND ECONOMIC RESCUE PACKAGES ANALYSES IN SOUTHERN AFRICA DEVELOPMENT COMMUNITY (SADC) REGION

"This paper revealed numerous debt sustainability challenges emanating from COVID-19 pandemic. While SADC member countries have put in place various stimulus packages to respond to the pandemic, this will exacerbate the already precarious debt situation in the region. As such, there is need for an amicable debt restructuring programme to avoid or mitigate the social costs associated with servicing debt under difficult macroeconomic conditions. Going forward, there is need for civil society and parliaments to emphasise the need for effective public debt management. Strengthening debt management transparent and reporting will create a culture of responsible borrowing and in the process assist countries to withstand future shocks that have implications on debt sustainability".

Introduction

The protracted Covid-19 pandemic has affected key macroeconomic variables and global value chains which have significant implications for debt sustainability outlook across the globe, including SADC member states. Of particular concern is the fact that the SADC region was already facing heightened debt challenges and climate change induced development challenges (Cyclones, El Nino droughts) prior to the outbreak of the COVID-19 pandemic. As such, the pandemic worsened the momentum that had already been entrenched in the region's debt stock prior to the outbreak (Prizzon, 2020). **The average public debt for SADC increased from 39.2% in 2011 to 55% in 2019 ((IMF, 2020). In 2019, 5 countries were either in high risk of debt distress (Zambia, Angola and Malawi) or already in debt distress (Zimbabwe, Mozambique).** Moreover, the pandemic has created the need for increased public finance making debt sustainability a cause for concern for SADC region. The fiscal pressures stemming from increased health expenditures and a combination of declining economic output as a result of containment measures and policy measures to stimulate the economies are likely to heighten debt vulnerabilities.

The decline in GDP across SADC member states as a result of the pandemic has concomitantly reduced budget revenues and foreign exchange earnings, which are the principal sources for debt service. **The IMF revised the initial average economic growth rate for the SADC region from 3.1% in 2020 to about -3.1% (IMF, 2020) and the contraction may worsen as the pandemic prolongs**. The pandemic affected all sectors of the economy with sectors that are contact -intensive (tourism) and those dependent on external demand such as primary commodities heavily affected. Compounding the vulnerabilities is that most countries have also witnessed sharp declines in remittances, foreign direct investment (FDI) and portfolio investments. As a result of depressed foreign currency inflows, some countries experienced instabilities in the exchange rate. Against this background, the outlook for debt sustainability has been compromised with other countries such as Zambia migrating from moderate risk of debt distress to high risk of debt distress. **Moreover, the preliminary debt indicators suggest increases of public debt to GDP ratios of about 5 to 10%. The most affected SADC countries are Angola, Zambia, Mozambique, while the least affected are Botswana and Lesotho.** The increase in debt mean that a number of countries are likely to surpass the 60% public debt to GDP ratio stipulated under the SADC macroeconomic Convergence Criterion.

1.1 COVID-19 Origins and Spread

As at 30 June 2020, a total of 9,866,077 COVID-19 positive cases and 496,180 deaths had been reported from 215 countries and territories. While Africa still accounts for a small percentage of COVID -19 cases, approximately 3.9% of all cases reported globally, the number has been picking up since May 2020, particularly in the Southern region. A total of 393,305 COVID-19 cases and 9,879 deaths have been reported in 54 African countries as at 30 June 2020. In the SADC region, the total reported cases stood at 167 549 while deaths were 2 961. South Africa was the hardest hit with 151 209 cases and 2657 deaths, which is 90 percent of SADC cases. The situation is compounded by gradual relaxation of stringent Covid-19 response measures by countries in a bid to kick start economies amid frustration of limited progress in flattening trends in Covid-19 reported cases. In this regard, the sustained escalation in the number of reported Covid-19 cases in region suggest the need for elevated response and intervention measures than initially anticipated. Consequently, the full impact on fiscal positions and accompanying risk to debt sustainability remains calamitous.

Table 1: SADC COVID-19 Statistics Overview Status as at 30 June 2020

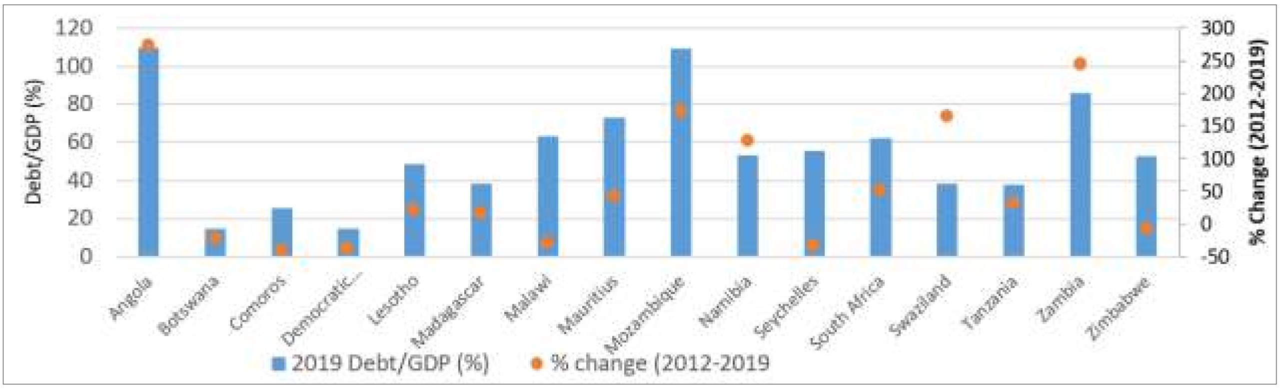
	Total Cases	Total Deaths	Total Recovered	Active Cases
Angola	284	13	93	178
Botswana	227	1	28	198
Comoros	303	7	192	104
DRC	7 039	170	2 845	4 024
Eswatini	812	11	408	393
Lesotho	27	0	4	23
Madagascar	2 214	20	919	1275
Malawi	1 224	14	260	950
Mauritius	341	10	326	5
Mozambique	889	6	232	651
Namibia	205	0	24	181
Seychelles	81	0	11	70
South Africa	151 209	2 657	73 543	75 009
Tanzania	509	21	183	305
Zambia	1 594	24	1 329	241
Zimbabwe	591	7	162	422
Total	**167 549**	**2 961**	**80 559**	**84 029**

Source: John Hopkins (2020)

2 IMPACT OF THE COVID-19 ON DEBT SUSTAINABILITY IN SADC

Public debt to GDP ratios for the region which were on a declining trend partly due to multilateral debt relief initiatives in the early 2000s, increased significant since 2012. Average public debt for the SADC region increased from 39% in 2010 to 55% in 2019. The average public debt figure, however, masks the greater heterogeneity in debt levels among the SADC countries, reflecting unique country financing needs, economic structure, debt management practices and various shocks affecting the countries as shown in Figure 1.

Figure 1: Evolution of Public Debt for SADC Countries (2012-2019)



Source: World Economic Outlook Database (WEO), April 2020

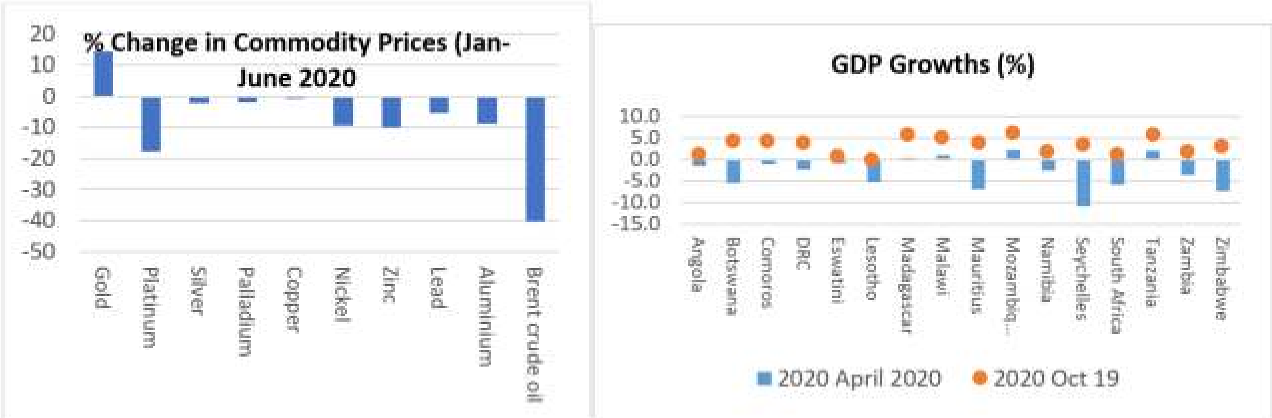
The pace of public debt accumulation has been higher for Angola, Mozambique, Zambia, Swaziland, Namibia and South Africa exceeding the regional average of 30%. Botswana, the Democratic Republic of Congo, and Zimbabwe experienced a decline in their debt-to-GDP ratios. The decline in public debt for DRC reflects debt forgiveness granted in 2010 while for Zimbabwe the decline shows the hyperinflation conditions which morphed domestic debt. In addition to the increased pace of debt accumulation, the shift in the composition of public debt towards non-concessionary debt has also increased debt vulnerabilities. **There has been a shift of the public and publicly guaranteed (PPG) external debt towards private creditors and non–Paris Club governments (World Bank, 2020) .** The change in composition of debt towards riskier sources of finance has resulted in increased debt service costs, which in some SADC countries for instances is now above 20% of revenue (South Africa, Angola and Zambia) and pose threats to debt sustainability. **In Angola, debt service is expected to breach 100% of revenue in 2020 (IMF, 2020).**

The sharp contraction in economic growth reflects the negative effects of lockdown and social distancing measures, slump in commodity prices and poor performance of the services sectors, mainly tourism. **The IMF June 2020 update suggested that the decline would be more severe than previously anticipated and revised the GDP growth for Sub Saharan Africa for 2020, from -1.6% in April 2020 to -3.2% in June 2020.**

While the demand shocks are expected to be temporary, depending on the severity of the pandemic, it can have long run negative effects through capital accumulation and productivity through the adverse impact on education, health system and working at home new culture.

The contraction in global demand has resulted in severe declines in commodity prices for most SADC commodity exports, making servicing of external debt more challenging.

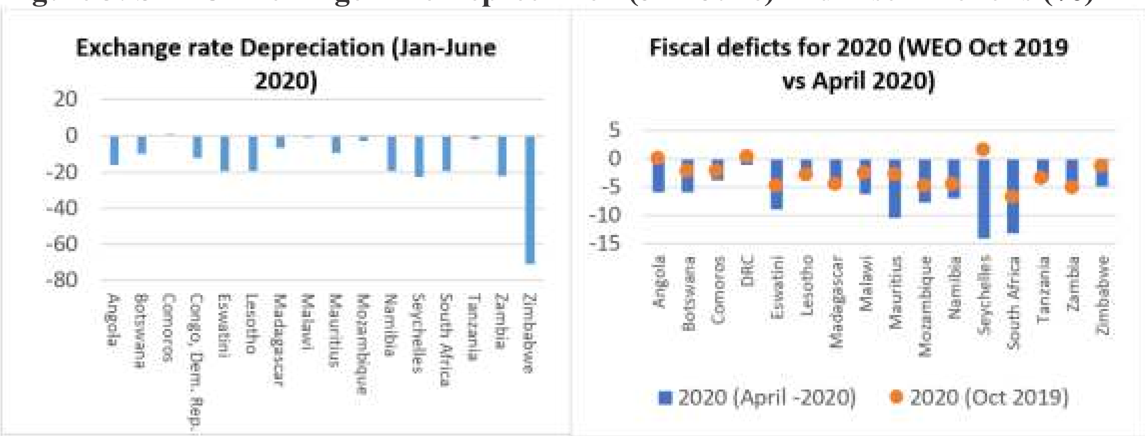
Figure 2: Commodity Prices Changes and SADC GDP Growth rates (2020)



Source: World Bank and IMF October 2019 and April 2020 WEO Database

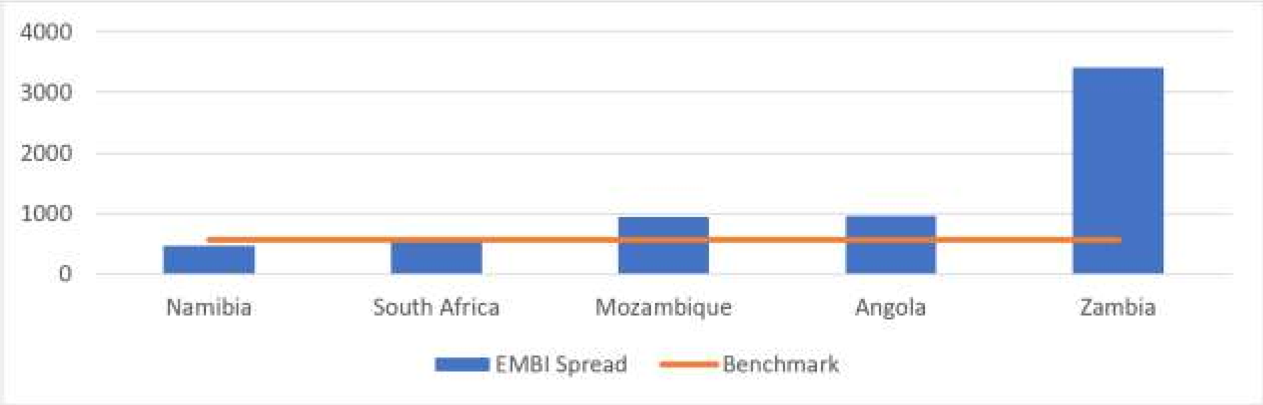
Government revenues are expected to fall drastically in line with growth and fall-off in tax compliance, tax reliefs and exemptions while expenditures are expected to increase due to sharp rise in health expenditures, social programs and recovery bailouts to firms. The combined shock to both revenues and expenditures will exacerbate the already high fiscal deficits, adding significantly to the high debt. The resultant depreciation in currencies will further amplify external debt. Figure 3 shows exchange rate developments since January 2020 and fiscal deficits for 2020.

Figure 3: SADC Exchange Rate Depreciation (Jan-June) and Fiscal Deficits (%)



Source: Central Bank Websites and WEO Databases Oct 2019 and April 2020

Figure 4: EMBI Spread 2020



Source: Bloomberg, 2020

Most SADC Low Income Countries' (LICs) debt carrying capacities have been rated as weak due to recent underperformance in the debt carrying capacity composite indicator (CI). **The factors that have undermined the CI indicators include real growth, reserves coverage, remittance inflows, and the state of the global environment in addition to the World Bank's Country Policy and Institutional Assessment (CPIA) index. SADC LIC countries with weak CI ratings include DRC, Malawi, Mozambique, Zambia and Zimbabwe, while Comoros, Lesotho, Madagascar are rated medium. Only Tanzania is rated strong and therefore considered to have a strong debt carrying capacity.**

The combined increase in fiscal deficits, weak debt carrying capacity and negative developments in all indicators of automatic debt dynamics such as real growth, exchange rate and interest, average debt for SADC countries will worsen beyond the previous initially projected levels of 59% to GDP in 2020. **In light of the continued rise in reported COVID-19 positive cases and need for increased containment measures, debt is likely to continue rising in the medium term to 2023**. Consequently, the cost of high debt levels, notably restricted access to additional financing, crowding out of social expenditures and risk of default has become elevated with potential to compromise member countries ability to attain Sustainable Development Goals (SDGs).

3 EFFECTIVENESS OF STIMULUS PACKAGES TO KICK START THE ECONOMY

In response to Covid-19, SADC member states increased spending on health, social protection, food, water. In addition, countries have put in place stimulus packages to promote economic recovery. Most SADC countries, however, entered into the COVID-19 pandemic with elevated debt burden which offers limited fiscal space to re-start economic recovery. As such the size of fiscal support have been low and varies considerably across countries on the upper end being Seychelles at 5% and Namibia at 4.25% of GDP and smallest seems to be Eswatini at 0.14%

as shown by data from the IMF Policy Responses to COVID-19 Tracker. These levels are far much below the stimulus package of at least 5% of GDP required by most countries and the levels witnessed in advanced economies of around 8-10% of GDP. Specific emergence relief funds put by SADC countries using own resources to stimulate the economies are shown in Table 2:

Table 2:Stimulus Packages in Selected SADC countries

Country	Amount	Purpose of Funds
Namibia	8 billion Namibia dollars	reviving health, wage subsidies and SMEs support
Botswana	2 billion Pula	Wage subsidy, training waiver, tax deferrals and procurement of strategic.
Zimbabwe	Z$18.2 billion	Health facility, scaling up production and social protection.
South Africa	R500 billion	Fiscal stimulus package to support the local economy
Mauritius	Rs1.3 billion	Health improvement, wage assistance scheme and SMEs support.
Zambia	8 billion kwachas	reviving health, wage subsidies and SMEs support
Tanzania	USD8.4 million	reviving health, wage subsidies and SMEs support
Lesotho	M700 million	reviving health, wage subsidies and SMEs support
DRC	USD135million	Health improvement, wage assistance scheme and SMEs support.
Swaziland	E100 million	Fiscal stimulus package to support the local economy
Malawi	US$20 million	Fiscal stimulus package to support the local economy
Angola	US$40 million	Health facility, scaling up production and social protection.

Sources: *Author Compilations from Government publications*

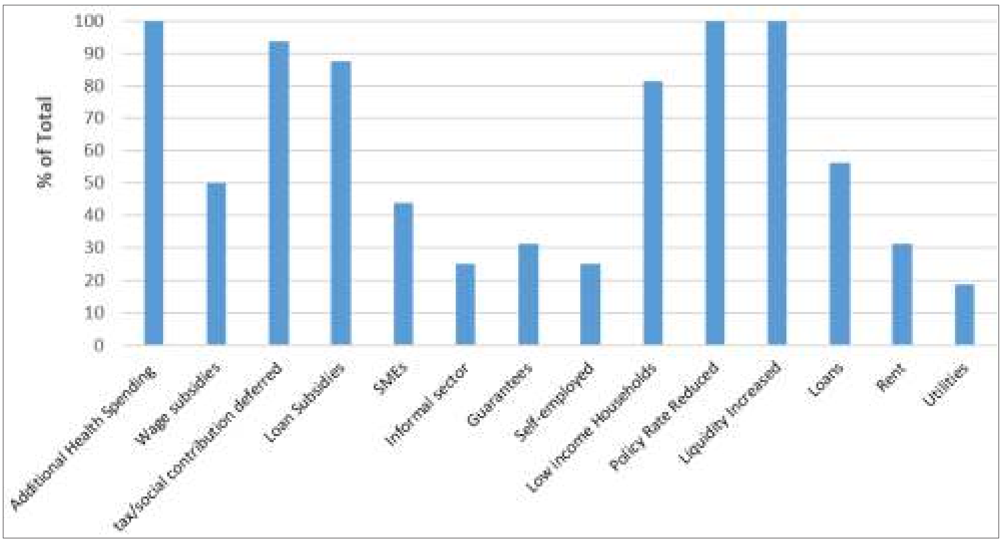
While these funds are small compared to the COVID-19 needs, given the limited fiscal space the stimulus packages are likely to result in increased debt with little impact on growth. **The SADC countries are also failing to increase the fiscal stimulus as most of their sources of funding such as government revenues, foreign direct investment and remittances are pro-cyclical and contract with declines in growth.** Country specific challenges such as shocks caused by other natural disasters notably the cyclone Idai experienced in Mozambique and Zimbabwe, locusts in Tanzania worsened the situation in these countries. These twin challenges have made the response to COVID-19 quite complicated as these countries were already struggling to deal with the after-effects of these natural calamities.

In this regard, separating the impact of the response to COVID-19 becomes quite difficult. On the monetary side, central banks responded by cutting interest rates and providing more liquidity. It, however, remains unclear whether the cuts in interest rates have been transmitted to the real sector through lower interest rates on borrowing. In addition, there are other amplifying factors that weighs down the effectiveness of the current recovery measures.

The stimulus packages are also inadequate given that the slump in commodity prices have disproportionately affected most commodity dependent countries in the region. The tourism sector is also very large making the situation dire in most SADC countries. Importantly, most LIC countries have high pre-existing poverty and inequality levels, high informal sectors and workers employed in Small Medium and Micro Enterprises, low tax revenues.

Informality is quite big in SADC region accounting for more than 60% of employment in low income countries and as high as 80% in Zambia, Lesotho and Mozambique (Bosio, Lemoine, Jolevski, & Ramalho, 2020). **As a result of COVID -19 open markets, small outlets close and vendors could not display their products. Workers in the informal sectors find it hard to access government stimulus packages such as job retention schemes, tax exemptions and loans moratoriums (Bircan, Koczan, & Plekhanov, 2020).** According to The Medina, Jonelis and Cangul (2017) the informal economy contributed between above 40% of GDP between 2010 and 2014 in the following SADC countries: Mauritius; South Africa; Namibia; in Malawi; Zambia; Mozambique; Lesotho; Madagascar; Democratic Republic of Congo and Lesotho, Zimbabwe, Angola and Tanzania. Based on IMF policy response tracker and cross checked with country announcements, as shown in Figure 7 the current policy responses have not adequately addressed the pandemic effects on households, SMEs and informal sector.

Figure 5: Share of SADC Countries that Implemented Various Support Measures (%) -June 2020



Source: IMF COVID-19 Policy Tracker and Country information

Given that the dominant activities for most employed people in SADC is in primary and secondary sectors, there is limited scope for jobs which can be done at home. The scope for working from home for jobs such as skilled agriculture, craft and related trades, plant and machinery operators and assemblers, and elementary occupations is below 20% (Gottlieb, Grobvsek, Poschke, & Saltiel, 2020).

The situation is worse for Fragile and Conflict Affected Situations (FCAS) countries such as DRC and Mozambique. The fragile situations make the stimulus packages difficult to implement, monitor and assess. Given the limited fiscal space, pro-cyclical nature of resources and structure of most SADC region, particularly LICs countries, current recovery packages will not be optimal and there is need for development partners to support the country specific recovery efforts.

The countries in the region also lack the administrative capacity as a result of limited E-government system, limited online services reflecting inadequate telecommunications infrastructure. Also, the high bureaucracy including cumbersome government regulations and administrative procedures impact on the ability of government to effectively implement announced relief measures.

LICs countries in the SADC region which suffer both limited fiscal space and weak administrative capacity should aim to implement policies targeting specific sectors and locations. What is critical is to ensure direct provision of good and services to address basic needs for the society. Hard hit sectors such as tourism and small medium enterprises should be prioritised. The stimulus packages to be effective they should reach the most vulnerable people, particularly those working in the SMEs, self-employed, rural areas and informal sector.

4 IMPACT OF EMERGENCE RELIEF FUNDS TO ADDRESS COVID-19 EFFECTS

The Multilateral Financial Institutions which include the IMF, the World Bank, the Paris Club and the G20 countries moved with speed to put in place COVID-19 Financial Assistance and Debt Service Relief measures to help poor countries to deal with the pandemic. The assistance started with a joint statement by World Bank and IMF calling on official bilateral creditors to suspend debt payments from International Development Assistance (IDA) countries to allow funds to be devoted to COVID-19 on 25 March 2020. On 15th April 2020, the G20 also issued a communique calling for a time bound suspension of debt service payments for poor countries and also called upon private sector creditors of IDA countries to provide relief on comparable terms. The Institute of International Finance (IIF) on their 1st May 2020 communique advised that private creditors would participate on a voluntary basis and on NPV neutral terms (Bolton *et.al,* 2020)

Table 3: SADC countries that benefited from IMF Emergency Financing Facilities

Country	Amount
Comoros	US$12.13 million
DRC	363.27 million
Madagascar	US$165.99
Malawi	US$91 million
Mozambique	US$309 million
Tanzania	US$14.3 million
Seychelles	US$31.2 million

The IMF has trebled lending capacity to US$1 trillion since global financial crisis and also lower the conditionality for accessing the emergency financing facilities. **This, notwithstanding, relatively few SADC member states, notably, Comoros, US$12.13 million); DRC, 363.27 million; Madagascar, US$165.99; Malawi, US$91 million; Mozambique, US$309 million; Tanzania, US$14.3 million; and Seychelles, US$31.2 million have accessed these facilities.** Other countries such as Zimbabwe continue to be ineligible due to arrears to multilateral and bilateral creditors, while other countries such as Botswana face challenges in accessing these resources due to perceived absence of balance of payments needs. The Multilateral development banks have also availed facilities, mainly focused on supporting health and sanitation. For instance, the World Bank Group (WBG) have committed US$160 billion over 15 months. This amount includes US$50 billion to International Development Association (IDA). **Specific countries that benefited for WBG Countries dedicated COVID-19 Fast-Track Facility include DRC, US$47 million; Eswatini, US$6 million; Lesotho, US$7.5 million and Malawi, US$37 million.**

SADC countries have not benefited much from the funds with only DRC, Eswatini Lesotho and Malawi getting assistance under the WBG COVID-19 Fast-Track Facility. Countries benefiting from other forms of WBG finance or redeploying of existing projects in SADC include Angola, Comoros, Mozambique, Zimbabwe and Zambia. The IFC is also assisting with $8 billion in fast-track financial support to existing clients to sustain economies and preserve jobs to poor countries.

The African Development Bank US$10 billion o/w US$5.5bn for AfDB borrowers, US$3.1 billion is under its concessional window, African Development Fund (ADF). The contributions from donors in response to COVID has been minimal as their focus has mainly been on supporting investments in treatments vaccinations. Moreover, there has also been suspension/reallocation of bilateral aid away from debt management to COVID, there is also no evidence of scaling up of Official Development Assistance (ODA), which is critical for most countries in the SADC region.

The only genuine debt cancellation has been by the IMF US$500 million for debt service from poorest countries in second half 2020, only Malawi and Mozambique benefited. Moreover, the G20 US$20 billion initiative could possibly benefit some countries in the region. The

initiative proposes postponement with 1-year grace followed by 3-year payment, and with extra interest accruing on resulting arrears.

While IDA countries have been getting some support, the inclusion of other low and middle countries and involvement of private creditors remains unresolved. The current support by IFIs has mainly benefited the poorest countries leaving middle income (International Bank for Reconstruction and Development) SADC countries with access to market financing such as South Africa. Private sector debt service accounts for more than 30% of total exports in South Africa, Zambia, Angola and Tanzania and in some countries more than 25% of revenues (UN/DESA, 2020).
South Africa is the largest SADC country in terms of size of economy and one of the top 10 affected COVID-19 countries in the world. A distressed South Africa will have significant negative spill-overs in other countries in the entire region (Canales-Kriljenko, Gwenhamo, & Thomas, 2013).

Importantly, there is need for the full involvement of private creditors to ensure that debt moratorium is helpful to the region (Bolton, et al., 2020). **Private sector debt accounts for a disproportionate share of the debt servicing costs and if the private creditors are not involved, there is a greater possibility that official debt relief may be diverted towards servicing of pressing private creditor claims.** Furthermore, a mechanism should be put in place that ensures that countries that voluntarily participates on in a standstill on private debt do not suffer sovereign downgrades.

As argued by Gulati and Panizza (2020), there is need for a holistic solution to private debt discussions in the spirit to what has been proposed by the official creditors to ensure tangible benefits to SADC countries. **In addition, the vulnerable groups in SADC such as informal sector players are outside the reach of emergency relief fund. World Bank with expertise in poverty and informality should, therefore, be harnessed to support policies to reach the vulnerable.**

In addition, the current framework for extending credit by IMF and World Bank liquidity which tend to favour existing clients or premised on first come, first served basis may resulted in funds directed to same countries, leaving other countries in need (Djankov & Kiechel, 2020). **In this regard, it is important for countries to negotiate for debt relief during the COVID crisis and channel debt service resources towards social protection under strict monitoring from development corporation partners.**

Moreover, countries should continue to **lobby for non-debt creating financing mechanism such as issuance of Special Drawing Rights**, the IMF non-conditional liquidity funding which can go direct to budgets.

Given the prolonged the effects of the pandemic, there is also need to **negotiate with creditors for possible deferment and or cancellation of debt service for the next two to three years**, to give member countries some relief and provide scope for recovery.

Considering the risk associated with Covid-19 related borrowings, there is need for **increased transparency on all new borrowings, including the utilisation of funds**. Moreover, the potential savings from Covid-19 relief must be channelled to economic or social safety nets.

5 RISK ASSOCIATED WITH RELIEF FUNDS AND SAFEGUARDS TO CURB MISUSE OF EMERGENCY FUNDS

The huge amount of funds for health and stimulus packages under COVID-19 and the urgent need for speed disbursement and emergency procurement create opportunities for corruption. Emergency funds are a target for corruption resulting in the diversion funds and supplies needed to fight the scourge. In SADC there are already a wave of corruption-related incidents during the COVID-19 bordering on pilfering funds and available supplies, price gouging, and all kinds of contract malfeasance. Cases of pricing gouging have emerged in Zimbabwe among other countries. In this regard, stricter safeguards are needed to curb misuse of emergency funds, including reinforcing anti-corruption efforts, build and strengthen accountability and transparency. Thus, the prevention of corruption and promoting integrity, transparency, accountability and participation should, similarly, be a cross-cutting concern in COVID -19 response.

The crucial step is to ensure mainstreaming anti-corruption practices into the pandemic preparedness and response through inclusion of anti-corruption, ethics and integrity agency representatives on the national COVID-19 taskforce or planning committee. The anti-corruption efforts should also be enhanced by adopting a sectoral approach and tailor-made efforts in line with the corruption risks inherent in the pandemic.

The international development partners, donors, government and other stakeholders should also publish how much money they allocate to pandemic responses, the purpose and intended beneficiaries. Already the IMF, World Bank and other development partners are publishing their disbursement through various online funds tracker systems. As such, there is need also to fully publish aid from bilateral partners (Nicaise, 2020). Emphasis should also be made on the importance of public participation including relevant stakeholders on all aspects of COVID-19 response. **Civil society organisations and media play a critical role in monitoring corruption cases. In addition to working with civil society organizations and media, there is need to leverage on technology to deliver emergence relief.**

The technology is important to building information database to track, monitor, and evaluate the use of these funds. Full use of **Digital Public Financial Management Solutions** which include **Financial Management Information Systems (FMIS), Fiscal Transparency Portals,** and **Procurement Platforms** are important to enhance efficiency improve fiscal discipline, strengthen expenditure, and fiscal transparency during implementation of COVID-19 emergency responses (Sarah Steingrüber, 2020). The use of electronic fund transfers and real time gross settlement systems are also important to support secure disbursement of funds.

Frequent comprehensive internal and external audits monitoring and evaluation on pandemic-related spending are required to stem out extensive corruption and fraud (Khasiani, Koshima, Mfombouot, & Singh, 2020). **As such, SADC members should ensure that such emergency measures are accompanied by adequate auditing, oversight, accountability.** Relatedly, the emergency fund can be channelled through the budget to ensure transparency on its utilization, for instance in South Africa donor funding received is into a specific Reconstruction and Development Fund to allow strict usage and monitoring(IMF, 2020).

6 KEY CHALLENGES AND OPPORTUNITIES FOR GOOD DEBT GOVERNANCE ARISING FROM COVID-19

The increased borrowing during the COVID-19 resulted in a significant change in government financing requirements and financing costs. In addition, the need to raise additional finance rapidly during the COVID-19 pandemic may result in suspension of some good debt governance standard practices. Precisely, pandemic situations may result in government undertaking measures that create a departure from sound debt management practices (IMF, 2020). Governments should, however, treat such departures as temporary and ensure that proper good debt governance practices are followed where possible even during the crisis and all departures are unwound after the crisis. In addition, the debt offices should alert the authorities on the risks brought about the departures and ensure these risks are minimised.

There are several opportunities to improve public debt governance in the SADC region by the pandemic. The current high levels of debt, long term debt vulnerabilities and the fuller information on the nature of debt portfolio and contingent liability risks revealed by the crisis also call for recalibration of sovereigns' debt management policies and practices in the region.

· In view of the debt sustainability concerns arising from COVID-19 related shocks, the need for transparency at national level becomes paramount. Poor governance has contributed to the increase in debt in Mozambique, one of the SADC countries currently in debt distress. The case of hidden debts highlights the importance of strengthening governance around debt issuance, especially transparency.

· Increased reporting and oversight by parliament must be strengthened. Member countries should also be capacitated to adopt and implement best debt management practices that fosters discipline and accountability and at the same time limits the costly accumulation of debts to unsustainable levels.

· Parliament should insist on authorities undertaking regular debt sustainability exercises to determine sustainable debt levels.

· The increase in public financing requirements triggered by the pandemic call for revision in borrowing plans and the Debt Management Strategy (DMS). As such, countries should continue to undertake formal medium debt strategies (MTDS) that informs alternative debt strategies at the minimum cost and risk.

· Member countries to come up with parliament approved borrowing plan to improve transparency and accountability. Regular reporting on adherence to borrowing plan to be emphasised.

· The COVID-19 induced crisis also points out areas for addressing legal impediments to potential adjustments in debt management practices. Furthermore, the crisis has amply demonstrated the importance of inward looking. In this regard, member countries should be capacitated to develop and deepen domestic debt markets. This will ensure longer-term, lower cost and more stable financing for development and helps countries better prepared to respond to future crisis.

· The COVID-19 induced crisis has also pointed for the need for capacity building and strengthening needed in areas of debt and risk management, financial management, research, and data management. Strong capacity building is needed in debt negotiation skills at both government and parliament to assist countries to negotiate for emerging finance such as Eurobonds, PPPs, loans from OECD and non-OECD export credit agencies. These skills will assist countries to anticipate the risk of the financing in advance.

· Robust cooperation among SADC countries and its partners on technical assistance and capacity building including civil organisations will be vital. Importantly, the crisis has amplified need for increased communication and coordination between debt management, fiscal, and monetary authorities. The improved debt, fiscal and monetary coordination result in timely and accurate assessments debt situations, identification of liquidity needs and adjustment of borrowing plans.

7 RECOMMENDATION TO STRENGHEN THE WORK AND VOICE OF CIVIL SOCIETY ON DEBT CRISIS AT REGIONAL LEVEL

· The COVID-19 pandemic has exacerbated the debt crisis in the SADC region which now face problems in servicing external debts while also dealing with the pandemic. In this regard, there is need for strengthening the role and voice of civil society on debt crisis at regional level. Role of Civil Society Organizations (CSOs) National ownership is crucial for the success of all loan and grant funded development projects. To ensure robust policy engagement on debt issues at a regional level the advocacy and lobby efforts by CSOs should be based on sound empirical evidence pertaining to indebtedness, drivers and efforts being made to resolve debt issue across the SADC countries.

· SADC region adopted a regional public debt threshold of 60% to GDP, which is critical to allow for a regional voice on debt sustainability. Given the significant role of parliaments in debt contraction, use and management, **there is need for civil society to undertake capacity building of legislators on debt management and sustainability analysis.**

· Importantly, empowerment and public participation of all citizens will help further mobilise and demand for transparency and accountability on debt at national and regional level. The people are the ultimate beneficiaries of loans and have the right to participate in the decision-making process pertaining to public borrowing. The AFRODAD Borrowing Charter 2017, recommends that the loan contraction process be transparent and participatory, involving citizens and the affected communities.

· Building of a SADC regional movement of civil society organisations to call for improvement debt management, governance and transparency is also vital. In addition, the regional movement of CSOs should also involve inter-disciplinary perspectives from academia, technocrats, practitioners, activists, social movements to ensure a variety of skills.

· CSOs should organise online based high policy seminar targeting ministries of finance, parliament portfolio committees on budget and finance, senior debt managers and central bank governors at regional level to understand the current country level indebtedness, impact of COVID-19, response efforts and how to strengthen public finance accountability and ensure medium term debt sustainability in the region.

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African Forum and Network on Debt and Development
31 Atkinson Drive, Hillside
PO Box Cy1517, Causeway
Harare, Zimbabwe
Tel: +263 4 778531/6
Fax: +263 4 747878
Website: www.afrodad.org

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