GOVERNMENT OF SIERRA LEONE

COVID-19
Quick Action Economic Response Programme (QAEREP)

*Ministry of Finance  *  Bank of Sierra Leone *  National Revenue Authority *
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1. Executive Summary

On March 11th 2020, the World Health Organisation (WHO) declared that the Coronavirus (COVID-19) first identified in December 2019 in Wuhan, China had reached the level of a global pandemic. Several measures, including restrictions on movement, have been initiated in several countries to contain the spread of the virus. However, the spill over effects from global developments as well as factors such as financial markets instability, supply chain disruptions, demand-side inefficiencies and a general sense of uncertainty have led to faltering economic activity.

Quantifying the economic impact of the Coronavirus pandemic is complex. Initial high-level analyses by leading economic and financial institutions such as the International Monetary Fund (IMF), the World Bank and United Nations Economic Commission for Africa (UNECA) have projected demand and supply-side disruptions that will culminate in the slowing down of economic growth globally.

The Government of Sierra Leone has estimated the potential costs of the COVID-19 outbreak to our economy at both the macro and micro levels based on multiple scenarios. In the first scenario, which is happening now, we assume that several positive cases and fatalities would emerge only in trading partner and donor countries, but no positive case is recorded in the country. Preventive measures such as social distancing, restriction of flights and assembly restrictions are implemented, but no national 'lockdown'. In this scenario, the impact on the economy is influenced by the spill overs of developments in countries which have recorded several infections and are implementing restrictive measures to curtail the outbreak.

In the second scenario, we assume that positive cases will emerge in the country resulting in short term nationwide movement restrictions. However, the spread of the virus would be limited, the Government will still be in control of the outbreak, and the economy remains functional.

We are also conscious of a potential ‘Scenario 3’, wherein in addition to continued disruptions globally, widespread positive cases of infections emerge domestically, our health system becomes overwhelmed, combined with 'lock downs' to curtail the disease while treating infections. Given the uncertainty around the future epidemiological path globally, this will result in higher health expenditures amid a severe contraction in economic activity. It would lead to negative growth rates, the severity of which will also depend on what is happening in the wider world.

Sierra Leone’s GDP was projected to grow by 4.2% in 2020. However, the economic impact of the COVID-19 outbreak will be transmitted through the real, fiscal and external...
sectors. This impact will be felt by households, firms and the Government. In light of this, the country’s economic growth projection has been revised downwards to 3.8% in Scenario 1, 2.2% in Scenario 2 and possibly will fall to negative growth rates in Scenario 3.

The COVID-19 outbreak will negatively impact the financial sector and business activities. Under Scenario 1, the Government is expected to lose Le 583 billion, representing 9% of projected domestic revenues in 2020. Under Scenario 2, the Government is expected to lose Le 965 billion or 15% of projected domestic revenues for 2020. In Scenario 3, the extreme case, when the outbreak is widespread, the revenue loss will increase further.

**Increased extra-budgetary expenditure** across critical sectors to contain the outbreak, compounded by revenue losses, will **widen the budget deficit**, **worsen our balance of payments position**. The overall balance of payments is projected to deteriorate to US$566.3 million. **In this situation, maintaining reserves of at least three months of import cover without external resources will be challenging.** The cumulative impact of the COVID-19 will adversely affect the effective implementation of our Medium-Term National Development Plan and the 2020 Budget.

To mitigate the economic impact of the COVID-19 shock on businesses, households and to maintain macro-economic and financial stability, **the Government of Sierra Leone has developed a short-term Quick Action Economic Response Programme (QAERP).** This will be complemented by the dedicated COVID-19 prevention and response health and social impact plan.

The core objectives of the Quick Action Economic Response Programme are: to **build and maintain an adequate stock level of essential commodities at stable prices; provide support to hardest-hit businesses** to enable them to continue operations, avert lay-offs of employees and reduce non-performing loans; **provide safety nets to vulnerable groups; support labour-based public works** and provide assistance for the local production and processing of staple food items.

**Under Scenario 1, the cost of the Quick Action Economic Response Programme (QAERP) is estimated at US$166.5 million.** Through the Government’s 2020 budget, **a total of $16.1 million, representing 10% of resources is committed.** However, this commitment is at risk as funding the budget is largely dependent on the domestic revenue situation. The **Bank of Sierra Leone will also provide US$50 million** estimated at 30.1% of the total programme cost leaving a **financing gap of US$96.4 million.**

The Health Response Programme will cost US$6.6 million. Owing to the reduction in economic activities, domestic revenue will drop by US$58.3 million. **The total cost of the**
Quick Action Economic Response Programme plus the Health Response under this scenario, therefore, amounts to US$ 231.4 with a financing gap of US$161.3 million.

Under Scenario 2, the cost of the QAERP is estimated at US$199.7 million, with a financing gap of US$115.7 million. The cost of the Health Response Programme will increase by 20 percent to US$7.9 million. The contraction in economic activities will result in a loss in domestic revenue estimated at US$96.5 million. For this scenario, the total cost of the Quick Action Economic Response Programme plus the Health Response under this scenario, therefore, amounts to US$304.1 with a financing gap of US$234 million.

Under the worst-case Scenario 3, the estimated cost of the QAERP will increase to US$246.9 million with a financing gap of US$144.6 million. The cost of the Health Response Programme will increase to US$9.9 million. Total revenue loss will increase to US$120.0 million. The total cost under this scenario is an estimated US$379.5 with a financing gap of US$309.4 million.

Given that Sierra Leone is at risk of debt distress and experiencing a budget deficit, the goal is to not worsen this situation. We do not want to experience a reversal of the achievements of our public financial management reforms, and we seek to maintain our commitment to human capital development.

In light of this, the Government is seeking augmentation of our current allocation under the Extended Credit Facility Programme with the International Monetary Fund. Additionally, we are also seeking debt relief from the IMF under the Catastrophe Containment and Relief Trust, debt relief from other Bilateral Partners and Multilateral Agencies as well as additional grant resources from other Development Partners.

The goal is to succeed in the health, economic and social fight against the COVID-19 outbreak and return to the growth path needed to ensure the delivery of our Medium-Term National Development Plan and His Excellency President Julius Maada Bio’s Priority Human Capital Development Portfolio.
2. Background

The current outbreak of the COVID-19 Corona Virus which started in Wuhan, China, has been declared a pandemic by the World Health Organisation (WHO) on 11 March 2020. The disease has symptoms similar to those of the seasonal flu, but the fatality rates have been higher. Whereas the seasonal flu usually has a fatality rate of 0.01%-0.1%, the COVID-19 fatality rate has been estimated at 2%- 4%. New infections were limited to China in the first few weeks of the outbreak. As at 24th March 2020, the disease has spread rapidly around the world, with 168 countries/territories reporting a total of 382,108 confirmed cases and 16,574 deaths. However, this number is expected to continue to rise.

Most Sub-Saharan African (SSA) countries have now reported positive cases of Covid-19. There are over 700 cases in 35 SSA countries including Ivory Coast, Congo, Ghana, Nigeria, Kenya, Senegal, South Africa, Guinea and Liberia. The outbreak is uncomfortably close to home. Several measures, including restrictions on movement, have been initiated in key countries to contain the spread of the virus. Countries in SSA are also moving very quickly, with many closing borders and/or suspending international flights - Sierra Leone, Ghana, Burkina Faso, Ivory Coast, Cabo Verde, Gambia, Guinea Bissau, Kenya.

Recent reactions of financial markets to these disruptions signal a slowdown in economic growth globally. The spill over effects from global developments as well as factors such as supply chain disruptions around the world may worsen already faltering economic activity. Initial high-level analyses by leading economic and financial institutions such as the IMF, World Bank and UNECA, project demand and supply-side disruptions that will culminate in the slowing down of economic growth.

Renowned economic and financial analysts have explained that quantifying the economic impact of the Coronavirus pandemic is complex, giving rise to significant uncertainty about the economic outlook and the associated downside risks. Nonetheless, development partners like the IMF and World Bank have announced that in addition to policy and technical advice, they can provide financial assistance that can be used to obtain critical imports, strengthen health systems, boost budgets or replenish international reserves.

The World Bank Group is making available an initial package of up to $12 billion (a mix of low- interest loans and grants) in immediate support. The IMF is also making available about $50 billion through its rapid-disbursing emergency financing facilities for low income and emerging market countries. Of this, $10 billion is available at zero interest for the poorest members through the Rapid Credit Facility. In addition, the
Fund’s **Catastrophe Containment and Relief Trust** (CCRT) can help the poorest countries with immediate debt relief.

For Sierra Leone to make the 'right ask' to these partners to mitigate against the impact of this pandemic on our economy, we have **estimated the potential costs** to our economy at both the **macro and micro levels** based on **multiple scenarios**, the severity of which will also depend on what is happening in the wider world:

- **Scenario 1 (Best Case)** - This is already happening. There are numerous positive cases and fatalities in trading partner and donor countries, but no positive cases in Sierra Leone. This scenario includes the vital, but drastic prevention and containment measures both within Sierra Leone as well as regionally and globally. Social distancing being implemented but **no national ‘lock down’, where in people’s movements would be restricted, and all excluding essential staff would be advised to stay at home.**

- **Scenario 2 (Worst case)** - Positive cases in Sierra Leone resulting in short term **nationwide movement restrictions**. Government is still in control of the outbreak, and the **economy remains functional.**

- We are also conscious of a potential ‘**Scenario 3’ with negative growth rates**, wherein in addition to **continued disruptions globally, positive cases emerge domestically, our health system becomes overwhelmed, and more significant 'lock down' measures introduced for a more extended period.**
3. Transmission Channels

The impact of the Corona outbreak will be mostly transmitted through the real, external and fiscal sectors at Government, firm and household levels. A recent paper written by ODI researchers which examined the transmission channels of the economic impact of the Coronavirus outbreak mentions that the most exposed African countries include Angola, Congo, Sierra Leone, Lesotho and Zambia.

- Direct impact: via the fiscal cost of infection prevention and control, preparedness for isolation and treatment and related interventions in the health sector for preparedness and treatment

- Indirect impact: via disruption of real economic activities (tourism, manufacturing, transportation, mining) brought on by necessary measures such as social distancing, movement restrictions, reduced labour force participation; the impact from the slowdown in global demand and commodity prices

4. Macroeconomic Impact

If the Coronavirus outbreak is not contained, shrinking economic activities, fear of contagion, and heightened uncertainty will have enormous implications for aggregate demand. Firms may also reduce spending and investment and may lay off workers. According to UNECA, economic growth for Africa is expected to drop from 3.2% to 1.8% as at early March 2020. As the pandemic continues to worsen, especially in Europe, it is expected that this projected drop would be even worse. This downward revision of expected growth applies to a small open economy like Sierra Leone that is still recovering from the impact of the Ebola Virus Disease outbreak and the 2014 global decline in commodity prices.

3.1 Economic Activity (GDP)

Real GDP growth (including iron ore) was 3.5 percent in 2018 and is estimated to be 5.1 percent in 2019. The medium-term economic outlook was estimated to be moderately strong prior to the outbreak of the Coronavirus Disease. Growth was projected at 4.2 percent during 2020 and to average 4.5 percent over the medium term (2021 -2023). However, with the Coronavirus outbreak, real GDP growth for 2020 is now projected to

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1 Raga, S. and te Velde, D.W. (2020). Economic Vulnerabilities to Health Pandemics: Which Countries are most vulnerable to the impact of Coronavirus
drop from 4.2 percent to 3.8 percent in the best-case scenario and 2.2 percent in the worst-case scenario. In the very worst-case scenario, we may see negative growth rates.

### 3.1.1 Services

**Sierra Leone’s trade openness is one of the lowest in the world.** Trade (export plus imports) to GDP ratio in 2018 was 56.7 percent compared to 90.6 percent for Guinea and 120.3 percent for Liberia. However, the ratio of trade in services to GDP is relatively higher in Sierra Leone. The services sector (*Trade and Tourism; Transport, Storage and Communications; and Finance, Insurance and Real Estate Growth*) grew by 4.8 percent in 2019 and was projected to **grow by 5.1 percent in both 2020** and the medium term.

With the far-reaching consequences of the impact of the outbreak, it is expected that the services sector will be the most affected and the effect is currently being felt. Given that services, especially the tourism sector is one of the potential economic transmission channels, the productivity of this sector is at risk. We, therefore, expect a direct negative impact on the services sector, mainly tourism, air and sea transport, and the local manufacturing industry. **The growth rate is now revised to 2.0 percent**, owing to the following factors:

- **Trade and Tourism**

Growth of the Trade and Tourism industry was projected at 5.0 percent in 2020 and over the medium term. Over 40 percent of tourist arrivals in Sierra Leone originate from Europe and East Asia. As travel restrictions take effect and major global airlines stop flights, we expect a vast reduction in tourist numbers and even a complete halt as several countries have introduced ‘lock downs’.

A collapse in tourism will negatively affect occupancy rates, turnover and income of **hotels, restaurants, tour operators, small businesses and other sectors** that are linked to the hospitality sector. The consequence would include redundancies of staff and reduced demand in other sectors.

It will also **reduce the volume of foreign exchange** earned in the sector, and that could have a negative effect on our currency and tax revenue from the sector. The timing of the outbreak could not be worse for the tourism sector in Sierra Leone, with flows usually peaking close to the Easter, Independence and Christmas periods.

Thus, **the initial projection of 5.0 percent growth for trade and tourism in 2020 is now revised downwards to 2.5 percent and 2.0 percent over the medium-term.**

However, this could potentially turn negative if we arrive at Scenario 3, and the global control of the outbreak remains weak. If vaccines do not become globally available quickly, the world will take a long time to begin travelling again.
• **Transportation, storage and communications**

This sub-sector accounted for 7.5 percent of GDP in 2017 and also has substantial forward linkages with the rest of the economy. The aviation sub-sector has been badly hit. Several airlines have been forced to make significant alterations in their operations. With recent directives from the Government, all flights in and out of the country are suspended for the next ninety-days, effective from 22nd March 2020 except in the case of emergencies.

Resumption will depend on the status of the outbreak not only domestically but also around the world. Based on Scenario 3, airlines may not fly commercially again until testing is massively available or vaccines exist.

Maritime transport may also be affected if there are major delays and disruptions at ports of origins. Every month, the average volume of twenty-foot equivalent units (TEUs) is between 3,500 and 4,000. However, this import volume is expected to decline to between 2,000 and 2,500 per month, given that the amount of cargo originating from China has reduced significantly. Reports from the shipping industry indicate that just before the 25th of January 2020, which marked the Chinese New Year and coincided with the lockdown in China, many importers had placed their orders. But with the lockdown, fewer orders were made, and this will revise import volumes downwards.

Furthermore, with the current spread of the virus to countries such as the Netherlands and Belgium, import volumes of essential food imports such as onions and poultry may be affected if shipping disruptions and delays ensue. Low imports volumes will also affect freight cost adversely and may have implications for domestic prices.

Thus, the earlier projection of 5.0 percent for 2020 and the medium term is now revised to 2.5 percent.

• **Finance, Insurance and Real Estate**

This sub-sector was earlier projected to grow by 4.2 percent in 2020 and the medium term. Given that the financial sector is interrelated to all other sectors, this sector could also be hard-hit by the Coronavirus outbreak. Loss of income by businesses will make it difficult for businesses to service their loans and overdraft facilities, leading to high levels of non-performing loans. This will reduce the profitability of banks as they have to make provisions for bad loans. The commercial banks' ability to import foreign currency banknotes to meet their customer requirements will be disrupted. Slower growth in the sector would also severely affect other sectors, with secondary effects potentially even more severe. Therefore, the 4.2 percent initially projected before the outbreak is revised to 2.5 percent in 2020 and 2.0 medium term.
3.1.2 Industry

- Manufacturing

The manufacturing sector in Sierra Leone is quite small, less than 2% of GDP and is often at the centre of strategies aimed at economic diversification and driving economic growth. This sector has substantial forward and backward linkages with the rest of the economy. Many domestic firms rely on various supply chains -- both domestic and international -- for production inputs. Due to Covid-19, these firms may be unable to get the inputs they need due to cessation of export activities in affected countries and disruptions in air and sea transport. These disruptions would result in a rise in business costs and constitute a negative productivity shock. At the moment, orders placed by importers cannot be delivered due to the lockdown and restrictions on flights and travelling.

The manufacturing sector was projected to grow by 4.2 percent in 2020 and 4.1 percent over the medium term, as a result of increasing domestic demand and improved electricity supply. However, in Scenario 1, the growth rate for the manufacturing sector is now revised downwards to 3.0 percent in 2020 and 2.2 percent over the medium term. In Scenario 2, the impact will be felt via lower productivity in the agriculture, mining and construction industries.

- Mining

The mining sector contributes an average of 5 percent to Sierra Leone GDP (2016 – 2019). Initial projections indicated that the mining sector would continue to expand over the medium term largely reflecting new investments in the sector. Several new projects were expected to commence production in 2020 including Tongo-Tonguma Project (Octea Limited & Sierra Diamonds), diamonds; SierraMin – Bauxite; Meya Mining Company – Diamond; Wongor Investment and Mining Company – Gold; Cheng Li Trading Mining Company Limited – Gold; Kingho Mining Company - Iron Ore; and Small Scale licenses (Gold, Coltan and Mineral Sands).

In addition, existing projects were increasing investments in their respective sectors including Sierra Rutile (rutile, ilmenite and zircon); Sierra Minerals Holdings (bauxite); Koidu Limited (diamonds) and Dayu Mining Limited (gold). Therefore, the mining was projected to grow by 7.4 percent during 2020 and to average 6.7 percent over the medium term.

The main areas where Sierra Leone’s mining sector would be affected in 2020 and the medium term are the cessations of mining activities due to low or no global demand for minerals and the consequent plummeting of prices. Moreover, new investments in the mining sector will dry up, giving that FDI constitutes a significant amount of
investments in the sector. As a result, growth in the mining sector is revised downwards from 7.4 percent to 1.4 percent in 2020 and from 3.3 percent to 0.5 percent over the medium term.

**Average prices for Iron ore and bauxite** are expected to be lower in 2020 than in 2019. Iron ore prices over the next few months will depend on how quickly supply-side concerns are addressed and whether the Chinese government plans on investing in infrastructure to support growth after the epidemic has been brought under control. Whilst the outbreak might weaken prices of metal commodities exported by Sierra Leone; it is unlikely to affect the running of mines until an actual lockdown is announced. If Scenario 3 becomes a reality, resumption of mining activities will be delayed.

- **Construction**

The construction sector is generally labour-intensive and utilises a high amount of unskilled labour, which is vital for the labour surplus economy of Sierra Leone. The global supply and demand for dry bulk shipping stocks such as building materials have dropped following the COVID-19 outbreak reflecting curtailed economic activity. This expected decline in the importation of construction materials and actual construction activities will negatively affect our economic growth.

Sierra Leone’s infrastructure projects face disruptions now that the supply chains for major inputs needed for construction and manufacturing are crashing and would worsen if the movement of people is constrained. The China Railway Group Limited (CRSG) for instance, is involved in the construction of major road projects in the country. The slowdown in the production of critical inputs, equipment and machinery, and operations in transport hubs and ports in China may lead to costly interruptions for ongoing infrastructure projects. This includes inputs for some locally manufactured construction materials.

Accordingly, the earlier projected construction sector growth of 5.5 percent for 2020 and 5.6 percent for 2021-2023 will likely fall to 3.0 percent and 2.0 percent respectively.

**3.1.3 Agriculture**

The agriculture sector (agriculture and fisheries) contributes the most significant share to Sierra Leone GDP averaging more than 50 percent during 2016 - 2019 and is critical to the Government's economic diversification strategy. The agriculture sector was projected to grow by 4.3 percent in 2020 and average 4.4 percent over the medium term. However, the outbreak of the Covid-19 could result in a reduction or even cessation of private sector investment in agriculture. In early 2020, the impact on small scale farming activities could be lower as most farming activities are already underway. However, the impact may be more substantial in later parts of the year and into 2021.
The impact on agriculture could be severe, the longer it takes to contain the disease. Restrictions on movement would shorten the amount of time farmers have to prepare the land for cultivation. This could have an impact on rice yields and rice prices (including imported rice) over the next 12 months. Cocoa and coffee prices would also be affected by slower economic growth or contagion in financial markets, as traders sell off financial assets that include agricultural futures. Contagion would also affect the presence of fishing boats and trawlers, which would reduce fish landing.

In line with projections of a decline in global productivity, we expect a decrease in the contribution of agriculture and fisheries to our GDP. Therefore, agriculture sector growth is revised to 3.8 percent for 2020 and 2.5 percent over the medium term.

**Table 1: Initial Projections of the Economic Impact of COVID-19 in Sierra Leone**

<table>
<thead>
<tr>
<th></th>
<th>2020 Project Growth (%) (Original)</th>
<th>2020 Revised Projected Growth (%) (No in-country outbreak)</th>
<th>Scenario 1 Decline in Growth (Percentage Points)</th>
<th>2020 Revised Projected Growth (Percentage Points) (Worst Case)</th>
<th>Scenario 2 Decline in Growth (Percentage Points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>4.2</td>
<td>3.80</td>
<td>-0.40</td>
<td>2.2</td>
<td>-2.0</td>
</tr>
<tr>
<td>Services Sector</td>
<td>5.1</td>
<td>2.00</td>
<td>-3.10</td>
<td>1.0</td>
<td>-4.1</td>
</tr>
<tr>
<td>Trade and Tourism</td>
<td>5.0</td>
<td>2.00</td>
<td>-3.00</td>
<td>1.0</td>
<td>-4.0</td>
</tr>
<tr>
<td>Transport, Storage and Communication</td>
<td>5.0</td>
<td>2.50</td>
<td>-2.50</td>
<td>1.0</td>
<td>-4.0</td>
</tr>
<tr>
<td>Finance, Insurance &amp; Real Estate</td>
<td>4.2</td>
<td>2.50</td>
<td>-1.70</td>
<td>2.0</td>
<td>-2.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.2</td>
<td>3.0</td>
<td>-1.20</td>
<td>2.0</td>
<td>-2.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.3</td>
<td>3.80</td>
<td>-0.50</td>
<td>2.0</td>
<td>-2.3</td>
</tr>
<tr>
<td>Mining</td>
<td>7.4</td>
<td>1.4</td>
<td>-6.0</td>
<td>1.0</td>
<td>-6.4</td>
</tr>
<tr>
<td>Construction</td>
<td>5.5</td>
<td>3.0</td>
<td>-2.50</td>
<td>3.0</td>
<td>-2.5</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>4.8</td>
<td>4.8</td>
<td>No change</td>
<td>4.8</td>
<td>No change</td>
</tr>
</tbody>
</table>

*Source: Ministry of Finance (estimates)*
3.2 Inflation

The Coronavirus will disrupt cross-border, regional and international trade, causing the reduced supply of essential commodities and its attendant impact on prices and loss of business incomes. The shocks will disrupt the supply of basic commodities and consequently result in higher inflationary pressures. This could reverse the declining trend of inflation with implications for not only domestic purchasing power but also medium-term inflation targets and international benchmarking criteria (e.g. IMF and MCC).

On the other hand, the reduction in global crude oil prices could reduce domestic fuel prices and transport costs. However, prices in Sierra Leone are sticky downwards, so the pass-through effect on food prices might be lower than expected.

- Case 1 - Scarcity of imported essential items

Sierra Leone has direct and indirect trade links with its neighbours, China, Europe and the rest of the world. South East, East Asia and European countries are our major trading partners for essential imported food commodities - rice, onions, cooking oil, flour, sugar, milk, chicken etc. Supply-side disruptions (especially due to restricted movement) and disruptions in the shipping sector could lead to a domestic shortage of goods and essential commodities imported from the affected countries. They could even worsen further if the disruptions last for several months.

Demand-side pressures could also exacerbate these supply-side inefficiencies. Sierra Leone could see itself competing with other large importing countries -- Ghana, Senegal, Ivory Coast, and South Africa -- who would also want to secure stocks and build reserves of essential commodities (especially rice, wheat, sugar, oil).

Recent trends in the global oil market show a decline in the price of oil, with the Brent Oil Future dropping to below $50 a barrel. OPEC policy differences and further drops in demand (e.g. cancellation of flights, lower use of cars due to quarantine measures, etc.) could compound price drops.

As with all countries that are net importers of petroleum products, Sierra Leone will benefit from low oil prices, with lower pump prices and improved terms of trade. The concern is around the availability of forex to capitalise on these lower prices and operations of the shipping industry to get oil products to Sierra Leone. However, oil shipments seem to be unaffected by disruptions because oil is flowing. The forex demand for fuel could drop by up to 50 percent as oil prices continue to fall.

- Case 2 - Scarcity of domestic food items
In addition to the closure of borders, community markets, quarantine of affected areas, and restricted domestic movement or ‘lockdown’, will reduce the availability of **locally produced vegetables, fruits, pulses, ‘plasas’, palm oil and other food items.** This will be exacerbated by panic buying and the depreciation of the Leone. This might drive prices upwards significantly.

### 3.3 Public Finances

The Coronavirus disease poses severe consequences for the country's public finances, including domestic revenue, expenditures, public debt and other macroeconomic indicators.

#### 3.3.1 Revenue

A serious **dent in current domestic revenue mobilisation** efforts is expected. In many countries, governments are introducing stimulus packages with tax cuts to keep economies afloat. The Government will introduce similar measures to support already-slwing economic activities.

Overall, **Scenario 1 projections by the NRA, given Quarter 1 revenue performance, suggests a total revenue loss of Le 583 bn or 9% for 2020.** Due to extended periods of the prevalence of the virus across the globe or in Sierra Leone (**assuming Scenario 2**), a further scaling back of economic activities especially importation and potential restrictions on movement and social gatherings in the short run could lead to even more significant losses in revenue and income for traders, businesses and the Government. In light of this, a Le 965 billion or 15% loss in domestic revenues initially projected for 2020 is expected.

- Reduced economic activities would result in a **reduction in the tax base.** Disruptions in the labour market could negatively impact **personal income tax** and **corporate income tax receipts. Loss in PAYE is expected from possible staff cuts in the affected companies.** Corporate tax is also likely to be affected by the reduced profitability from most of these private companies, hotels and restaurants. Total income taxes, including PAYE and corporate income taxes, are projected to decline by Le 223 bn or 10% from Le 2.203 trillion originally targeted to Le 1.980 trillion.

- Disruptions in international trade links could result in a fall in imports and loss of **trade tax revenue**, which accounts for over 30% of tax revenue (lower import duties, import GST). On a trend analysis, total import-related revenues (including import duty, import GST, withholding income taxes on import) are on a downward trajectory from January through mid-March. Between January 2020 and March 2020, import-related revenues are projected to drop by at least 30%.
China, one of Sierra Leone’s major trading partners, has seen its import-related revenues decline from Le 37 billion in January 2020 to a projected Le 16 billion in March 2020 -- a 56% decline. With Europe, another major trading partner being the new epicentre of the virus, it is obvious that the overall adverse impact on import revenues will be huge in Sierra Leone. **Preliminarily, import duties are projected to decline by 25% from an original projection of Le 852 billion to Le 639 billion for 2020.**

- GST revenues derived from hotel accommodation, restaurants and bars are adversely affected by the apprehension of the virus potentially entering and spreading across the country. Thus, **overall GST -- including domestic and import GST -- is projected to decline from Le 1.241 trillion (originally projected) to Le 960 billion in 2020, representing a Le 281 billion or 22% decline.**

- Should the demand for our exports (marine, minerals and timber) slow down due to global weakening of demand for such commodities, it is obvious that export volumes will be curtailed as falling prices for such commodities will scale down profit margins and revenues. With our exports destined mainly for China and Europe, the main countries hit by the virus, it is expected that the demand for these exports will weaken, thus triggering a fall in prices and revenues. Should the global pandemic last for a few more months as is widely projected, **mining royalties and licenses are likely to decline by Le 80 billion or 22%. Marine royalties are projected to decrease by Le 23 billion, and revenue from timber export levies are expected to decline slightly by Le 12 billion or 9%.**

- With the cancellation of major flights through Sierra Leone as well as the general fear associated with the virus, tourist flows into the country are expected to decline considerably. **Travel restrictions** will result in lower receipts of Foreign Travel Tax (FTT), which now comes under the TSA revenue from Sierra Leone Civil Aviation Authority (SLCAA). An estimated **Le 27.6 billion is projected to be lost as a result of airlines cancelling flights through Sierra Leone as** more passengers limit their movements and airlines opt to protect their staff from contracting and transporting the virus. Brussels Airlines was the first to cancel all flights, followed by Air Maroc and Air France. If the trend continues, then FTT will decrease to almost zero fairly quickly.

- Another TSA revenue stream to be seriously dented by the global pandemic is the **freight levy collected by** Sierra Leone Maritime Administration (SLMA) associated with **cargo/tonnage inflows and outflows.** This is estimated to **decline by Le 12 billion, with total TSA revenues** projected to decrease from Le 560 billion originally targeted to Le 500 billion.
Consequently, under Scenario 1, the total projected domestic revenue for 2020 is revised from Le 6.5 trillion to Le 5.5 trillion, resulting in a loss of Le 583 billion ($58.3 million). Under Scenario 2, domestic revenue loss is about Le 965 billion (US$96.5 million) and US$120 million under Scenario 3.

**Table 2: Preliminary Estimates Impact of Covid-19 on Domestic Revenue in 2020 (Scenario 2)**

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>2020 Projections (Original)</th>
<th>2020 Projections (Revised)</th>
<th>Revenue Loss (Le)</th>
<th>Revenue Loss (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Revenue</td>
<td>6,470,436</td>
<td>5,505,357</td>
<td>965,079</td>
<td>15%</td>
</tr>
<tr>
<td>Income Tax Revenue</td>
<td>2,203,234</td>
<td>1,980,000</td>
<td>223,234</td>
<td>10%</td>
</tr>
<tr>
<td>Goods and Services Tax</td>
<td>1,241,056</td>
<td>960,143</td>
<td>280,913</td>
<td>23%</td>
</tr>
<tr>
<td>Import Duties</td>
<td>855,063</td>
<td>639,000</td>
<td>216,063</td>
<td>25%</td>
</tr>
<tr>
<td>Excise Duties on Petroleum Products</td>
<td>630,423</td>
<td>612,862</td>
<td>17,561</td>
<td>3%</td>
</tr>
<tr>
<td>Other Excise Duties</td>
<td>52,204</td>
<td>16,926</td>
<td>35,278</td>
<td>68%</td>
</tr>
<tr>
<td>Mining royalties and licenses</td>
<td>361,125</td>
<td>280,596</td>
<td>80,529</td>
<td>22%</td>
</tr>
<tr>
<td>Royalties etc. on Fisheries</td>
<td>122,715</td>
<td>100,000</td>
<td>22,715</td>
<td>19%</td>
</tr>
<tr>
<td>Parastatals</td>
<td>60,000</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>TSA Revenue</td>
<td>576,113</td>
<td>500,000</td>
<td>76,113</td>
<td>13%</td>
</tr>
<tr>
<td>Timber Export Levy</td>
<td>132,183</td>
<td>120,000</td>
<td>12,183</td>
<td>9%</td>
</tr>
<tr>
<td>Other MDAs</td>
<td>111,491</td>
<td>111,000</td>
<td>491</td>
<td>0.4%</td>
</tr>
<tr>
<td>Road User Charges &amp; Vehicle Licenses</td>
<td>124,829</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: National Revenue Authority (estimates)
3.3.2 Expenditures

The outbreak will affect public expenditure as budgets will be squeezed as more is spent to counter the impact of the virus. Globally, unanticipated increases in health spending of up to USD 10.6 billion is expected. The Government has earmarked Le. 100 billion ($10 million) for the implementation of the COVID-19 Contingency Plan. This would need to be augmented if a high number of cases emerge in-country, leading to extra-budgetary expenditures across key sectors.

- **Health Expenditure**: Government will need to allocate funds to help with preparedness for a potential outbreak and public sensitization about the disease. The government will also need to increase funding to the health sector for surveillance, contact tracing, testing equipment, treatment equipment, quarantine facilities, feeding and social amenities for the quarantined population, protective equipment for healthcare workers and training on treatment and prevention for frontline health care workers. Funding for mass media and public education on symptoms, prevention awareness and advice on seeking treatment is also needed. If there is an outbreak in Sierra Leone, the health sector will need additional funding, especially treatment equipment, hazard pay and importation of drugs.

- **Education Expenditure**: The Government could potentially incur additional expenses to supply IPC materials and water to schools; funding radio learning programmes if schools are shut down; costs associated with potential remedial classes (especially for examination classes); and post-outbreak sanitising if schools are used as treatment or rehabilitation centres amongst many other expenses.

- **Energy and Water Expenditure**: Government will need to maintain electricity and water supply to critical institutions, including quarantine sites; provide stand-by emergency energy and water supply; and regular supply to households to maintain hygiene.

- **Social Expenditure**: Government will need to invest in safety-net cash transfers and free medical services for the most vulnerable segments of society (both infected and non-infected).

- **Security Expenditure**: Costs for the deployment of additional health, security and customs officials at our border crossing points.

3.3.3 Budget Deficit, Borrowing and Public Debt

At the macro level, increased extra-budgetary expenditure to contain the COVID-19 outbreak, compounded by revenue losses, will widen the budget deficit and the Government would need to borrow. If productive activities remain subdued for extended periods, this could lead to unsustainable debt. Sierra Leone is already at risk of debt...
distress, saddled with debt from the extra financing received from the IMF as part of the post-Ebola recovery efforts and inherited arrears to domestic suppliers.

3.4 External Sector

3.4.1 Balance of Payments (Exports and Imports)

Exports are now projected to decline by 53.8 percent compared to the initial projected growth rate of 28.1 percent. The reasons are that iron ore export will be nil in 2020 instead of the initial projection of US$ 70 million. The export of non-iron ore minerals is expected to drop by 50 percent due to fall in commodity prices and disruption in shipping.

Imports are now projected to drop by 8.3 percent compared to 4.0 percent initially projected due largely to the fall in international oil prices and the reduction in domestic economic activities.

As a result, the trade deficit will deteriorate to US$ 788 million from US$ 406 million projected earlier on. Services (net) will improve marginally due to the reduction in transport (air and sea).

Value of transfers will also drop by 12.3 percent due to the expected decline in private transfers. Private remittances from abroad will decline as households all over the world are engaged in 'self-preservation' activities such as bulk buying and hoarding. Donor countries, traditional providers of official Overseas Development Assistance (ODA), are also battling with the COVID-19. They are also in need of additional financial resources. Hence ODA to countries like Sierra Leone is expected to fall.

The current account deficit will widen to US$ 855.4 million from US$ 466.8 million projected earlier. The Capital and Financial Accounts will deteriorate by 41.2 percent primarily driven by the slower disbursement of project grants and loans and Foreign Direct Investment. Consequently, the overall balance of payments will deteriorate to US$ 566.3 million.

Remittances from abroad are also expected to decline as households all over the world are engaged in 'self-preservation' activities such as bulk buying and hoarding.

3.4.2 Foreign Reserves

Gross international reserves increased to US$ 507 million (about 3.6 months of imports) as at end-December 2019, compared to US$ 483.4 in 2018. Our current reserves would potentially be needed to cover the loss in export earnings, supplement the private sector's
resources for imports and **extra-budgetary expenditure** to key sectors such as health, education and social protection. With slowing down economic activity, and the projected worsening in the balance of payments position, maintaining reserves, at least three months of import cover will be challenging without external resources.

### 3.4.3 Exchange Rate

Revised balance of payments estimates indicate a deficit of US$ 566.3 million. In addition, measures to facilitate the availability of forex to support the importation of essentials including fuel, medical and pharmaceutical products to increase buffer stocks will exert additional pressure on the exchange rate.

In the absence of balance of payment support, budget support and debt relief, the exchange rate will continue to depreciate.

### 4.0 Impact on the Financial Sector

The current disruptions in global trade and travel restriction are likely to have an impact on Sierra Leone’s financial sector. The financial sector is exposed to the trade and commerce, construction, SME and tourism sectors. These sectors together account for about 60% of the loans and advances in the banking sector.

With the COVID-19 hitting major economies, activities in these sectors in Sierra Leone are likely to be affected. Slowing economic activity will increase the uncertainty and ability of consumers and firms in these sectors to service their loans/other credit products contracted with the commercial banks. **This development would impact the level of non-performing loans (NPLs) in the banking system**, which would be written off against their capital, thereby eroding the banks’ ability to finance the economy.

With higher NPLs, the risk premium in the banking system would increase; thus, banks will increase borrowing costs, and financial conditions would tighten. This will act as a drag on the economy because firms will postpone investment decisions, and individuals will delay consumption as they feel less financially secure.

In addition, the higher risk premium would motivate banks to move assets into safe-haven investments, preferably government securities, which will crowd out private investment. All of these will amplify the downturn arising from the supply and demand shocks.
Table 3: Preliminary Changes in External Sector Performance

<table>
<thead>
<tr>
<th></th>
<th>2020 Estimates (Original)</th>
<th>2020 Estimates (Revised Scenario 1)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Account</strong></td>
<td>(466.8)</td>
<td>(855.4)</td>
<td></td>
</tr>
<tr>
<td><strong>Trade balance</strong></td>
<td>(406.3)</td>
<td>(788.0)</td>
<td></td>
</tr>
<tr>
<td><strong>Export (fob)</strong></td>
<td>912.1</td>
<td>421.05</td>
<td>(53.8)</td>
</tr>
<tr>
<td><strong>o/w diamonds</strong></td>
<td>163.3</td>
<td>81.65</td>
<td>(50.0)</td>
</tr>
<tr>
<td><strong>iron ore</strong></td>
<td>70.0</td>
<td>0</td>
<td>(100.0)</td>
</tr>
<tr>
<td><strong>Other Minerals</strong></td>
<td>678.8</td>
<td>339.40</td>
<td>(50.0)</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>(1,318.4)</td>
<td>(1209.08)</td>
<td>(8.3)</td>
</tr>
<tr>
<td><strong>Services (net)</strong></td>
<td>(314.2)</td>
<td>(301.63)</td>
<td>(4.0)</td>
</tr>
<tr>
<td><strong>Income (net)</strong></td>
<td>(67.1)</td>
<td>(46.97)</td>
<td>(30.0)</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td>320.8</td>
<td>281.3</td>
<td>(12.3)</td>
</tr>
<tr>
<td><strong>Capital and Financial Account</strong></td>
<td>497.0</td>
<td>289.08</td>
<td>(41.8)</td>
</tr>
<tr>
<td><strong>Capital Account</strong></td>
<td>120.1</td>
<td>90.08</td>
<td>(25.0)</td>
</tr>
<tr>
<td><strong>Financial account</strong></td>
<td>376.9</td>
<td>199.00</td>
<td>(47.2)</td>
</tr>
<tr>
<td><strong>FDI</strong></td>
<td>235.3</td>
<td>117.65</td>
<td>(50.0)</td>
</tr>
<tr>
<td><strong>Other Investment (loans)</strong></td>
<td>141.6</td>
<td></td>
<td>(100.0)</td>
</tr>
<tr>
<td><strong>Public sector loans (net)</strong></td>
<td>126.50</td>
<td>81.35</td>
<td>(35.7)</td>
</tr>
<tr>
<td><strong>Disbursement</strong></td>
<td>180.6</td>
<td>135.45</td>
<td>(25.0)</td>
</tr>
<tr>
<td><strong>Amortization</strong></td>
<td>(54.1)</td>
<td>(54.1)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Overall balance</strong></td>
<td>30.2</td>
<td>(566.3)</td>
<td>(1,975.1)</td>
</tr>
</tbody>
</table>

*Source: Ministry of Finance (estimates)*
5.0 Microeconomic Impact

After an initial ‘buying rush’, measures to restrict movement across the country may disrupt commerce and have adverse effects on Micro, Small, and Medium Enterprises (MSMEs) who rely heavily on daily turnover to provide food and necessities for their families. Traders who usually travel to countries that have been affected by the epidemic to buy goods may lose their livelihoods.

Turnover, revenue and income for small scale importers who need to travel to China or countries in Europe to buy goods, will also be curtailed. Businesses that trade in imported goods or use imported goods as inputs to their production processes could face shortages if the epidemic is prolonged in countries that produce these imported goods.

Businesses that are highly exposed to the tourism ecosystem will suffer from the expected sharp decline in the number of tourists visiting the country and earnings because the outbreak is happening during the high season for tourism. Expected school closures for extended periods will also affect cash flows of private schools that depend on tuition and fees as the primary sources of revenue. After the Ebola outbreak, many schools struggled to pay staff wages because they had missed out on revenue from tuition and fees.

MDAs with expatriates providing technical assistance might lose these professionals. If adequate skills transfers have not taken place, there might be competency gaps with implications for service delivery. Also, uncertainties would result in decisions to cut down spending and general loss of peace of mind.

These will be compounded by social impacts – pressure on health infrastructure, a reversal of gains made in the health and education sectors, widening of the gender empowerment gap, and more women, children and health workers will be at risk.
6.0 Quick Action Economic Response Programme (QAERP)

6.1 Overview of the programme

The cumulative impact of the COVID-19 will adversely affect the effective implementation of our Medium-Term National Development Plan and the 2020 Budget. Against this background, Government has developed the Quick Action Economic Response Programme (QAERP).

The overall objective of the Quick Action Economic Response Programme (QAERP) is to maintain macro-economic and financial stability and mitigate the impact of the COVID-19 shock on businesses, households. This will be complemented by the dedicated COVID-19 prevention and response health plan.

Specifically, the objectives of the programme are as follows:

1. Building and maintaining an adequate stock level of essential commodities at stable prices.
2. Providing support to hardest-hit businesses to enable them to continue operations, avert lay-offs of employees and reduce non-performing loans.
3. Providing safety nets to vulnerable groups.
4. Supporting labour-based public works.
5. Providing assistance for the local production and processing of staple food items.

- Programme Objective 1

Building and maintaining an adequate stock level of essential commodities at stable prices

Strategic Actions

i. Provide tax deferments to importers and manufacturers of locally consumed goods
ii. Support the private sector for the importation of essential commodities
iii. Provide a special loan facility at concessional interest rates to support the production, importation and distribution of essential goods and services
iv. Establish and maintain a stock and price monitoring system for essential commodities
▪ Programme Objective 2

Providing support to hardest-hit businesses to enable them to continue operations and avert lay-offs of employees

Strategic Actions

i. Provide special loan facility (local and foreign currency) to businesses at concessional interest rates
ii. De-risk lending through guarantees to Small and Medium-Scale Enterprises (SMEs)
iii. Negotiate with Commercial Banks to suspend interest to SMEs in the tourism sectors
iv. Commence the National Micro-Credit Scheme

▪ Programme Objective 3

Expand safety nets to vulnerable groups

Strategic Actions

i. Expand on existing cash transfer programme implemented by NaCSA
ii. Provide food assistance to vulnerable groups

▪ Programme Objective 4

Supporting labour-based public works

Strategic Actions

i. Rehabilitate 1000 kilometres of unpaved trunk and feeder roads
ii. Carry out minor repairs on 200 km of Township roads

▪ Programme Objective 5

Providing assistance for the local production and processing of staple food items

Strategic Actions
i. Provide farm inputs including implements, chemicals and seedlings to small scale farmers
ii. Support farmers’ access to tractors and other farm machinery
iii. Provide extension services to farmers

Under Scenario 1, the cost of the Quick Action Economic Response Programme (QAERP) is estimated at US$166.5 million. Through the Government's 2020 budget, a total of $16.1 million, representing 10% of resources is committed. However, this commitment is at risk as funding the budget is largely dependent on the domestic revenue situation. The Bank of Sierra Leone will also provide US$50 million estimated at 30.1% of the total programme cost leaving a financing gap of US$96.4 million. The Health Response Programme will cost US$6.6 million. Owing to the reduction in economic activities, domestic revenue will drop by US$58.3 million. The total cost of the Quick Action Economic Response Programme plus the Health Response under this scenario, therefore, amounts to US$ 231.4 with a financing gap of US$161.3 million.

Under Scenario 2, the cost of the QAERP is estimated at US$199.7 million, with a financing gap of US$115.7 million. The cost of the Health Response Programme will increase by 20 percent to US$7.9 million. The contraction in economic activities will result in a loss in domestic revenue estimated at US$96.5 million. For this scenario, the total cost of the Quick Action Economic Response Programme plus the Health Response under this scenario, therefore, amounts to US$304.1 with a financing gap of US$234 million.

Under the worst-case Scenario 3, the estimated cost of the QAERP will increase to US$246.9 million with a financing gap of US$144.6 million. The cost of the Health Response Programme will increase to US$9.9 million. Total revenue loss will increase to US$120.0 million. The total cost under this scenario is an estimated US$379.5 with a financing gap of US$309.4 million.

6.2 Financing the response

The Ministry of Finance is leading the Government's public financial management reforms cutting across domestic revenue mobilisation, expenditure rationalisation, debt management and wider good governance. Nonetheless, Sierra Leone is at risk of debt distress and experiencing a budget deficit. The estimated economic impact of the COVID-19 outbreak will worsen this situation.

To alleviate this impact, fund the Quick Action Economic Response Programme, the Health Programme and the Social Impact Programme (under development) as shown in Table Four, the Government is seeking:
• Additional emergency support from the IMF, including one or more of the following options:

- Augmentation of the current allocation under the Extended Credit Facility Programme with the International Monetary Fund.

- Access IMF resources being made available as part of the global economic response to the COVID-19 through the Rapid Credit Facility.

- Seek debt relief from the IMF under the Containment Window of the Catastrophic Containment and Relief Trust.

• Seek debt relief from other Bilateral Partners and Multilateral Agencies so as to prevent a debt crisis.

• Access resources being made available by the World Bank Group as part of the global economic response to the COVID-19.

• Seek additional grant financing and technical assistance from other Development Partners.

• Seek ‘in-kind’ support from Development Partners and the Private Sector.

Our collective efforts to successful fund and implement the Quick Action Economic Response Plan, and complementary Health and Social Impact Plans will help Sierra Leone succeed in the fight against the COVID-19 pandemic. Additionally, it will ensure that the country returns to the growth trajectory necessary for the successful implementation of the Medium-Term National Development Plan and His Excellency the President’s Priority Human Capital Development Portfolio.

**Table 4: Total Financing Requirements of the Quick Action Economic Response Programme (excl Social Impact Plan)**

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Response</td>
<td>$166.5 m (cost)</td>
<td>$199.7 m (cost)</td>
<td>$249.6 m (cost)</td>
</tr>
<tr>
<td></td>
<td>$96.4 m (financing gap)</td>
<td>$115.7 m (financing gap)</td>
<td>$144.6 m (financing gap)</td>
</tr>
<tr>
<td>Health Response</td>
<td>$6.6 m</td>
<td>$7.9 m</td>
<td>$9.9 m</td>
</tr>
<tr>
<td>Revenue Loss</td>
<td>$58.3 m</td>
<td>$96.5 m</td>
<td>$120 m</td>
</tr>
<tr>
<td>Total Cost COVID-19</td>
<td>$231.4 m</td>
<td>$304.1 m</td>
<td>$379.5 m</td>
</tr>
<tr>
<td>Total Financing gap</td>
<td>COVID-19 Response</td>
<td>$161.33 m</td>
<td>$234.03 m</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
</tbody>
</table>

## Programme Objective 1: Building and maintaining an adequate stock level of essential commodities at stable prices

<table>
<thead>
<tr>
<th>Programme Objective</th>
<th>Strategic Action</th>
<th>Cost (Le) billion</th>
<th>Cost ($) million</th>
<th>Funding Source</th>
<th>Funding Gap ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Provide tax deferments to importers and manufacturers of locally consumed goods</td>
<td>300</td>
<td>30</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Support the private sector for the importation of essential commodities</td>
<td>500</td>
<td>50</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>1.3</td>
<td>Provide a special credit facility at concessional interest rates to support the production, importation and distribution of essential goods and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Establish and maintain a stock and price monitoring system for essential commodities</td>
<td>5</td>
<td>0.5</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Sub-total for Programme 1</td>
<td></td>
<td>805</td>
<td>81</td>
<td>0</td>
<td>50</td>
</tr>
</tbody>
</table>

## Programme Objective 2: Providing support to businesses to enable them to continue operations

<table>
<thead>
<tr>
<th>Programme Objective</th>
<th>Strategic Action</th>
<th>Cost (Le) billion</th>
<th>Cost ($) million</th>
<th>Funding Source</th>
<th>Funding Gap ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Provide special loan facility (local and foreign currency) to businesses at concessional interest rates</td>
<td>100</td>
<td>10</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>2.2</td>
<td>De-risk lending through guarantees to Small and Medium-Scale Enterprises (SMEs)</td>
<td>100</td>
<td>10</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>2.3</td>
<td>Negotiate with Commercial Banks to suspend interest to SMEs in the tourism sectors</td>
<td>100</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2.4</td>
<td>Commence the National Micro-Credit Scheme</td>
<td>50</td>
<td>5</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Sub-total for Programme 2</td>
<td></td>
<td>350</td>
<td>35</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Programme Objective 3: Providing safety nets to vulnerable groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Expand on existing cash transfer programme implemented by NaCSA</td>
<td>100</td>
<td>10</td>
<td>0</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>3.2 Provide food assistance to vulnerable groups</td>
<td>50</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Sub-total for Programme 3</td>
<td>150</td>
<td>15</td>
<td>0</td>
<td>4</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme Objective 4: Supporting labour-based public works</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Rehabilitate 1000 kilometres of unpaved-trunk and feeder roads</td>
</tr>
<tr>
<td>4.2 Carry out minor repairs on 200 km of Township roads</td>
</tr>
<tr>
<td>Sub-total for Programme 4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme Objective 5: Providing assistance for the local production of food items</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Provide farm inputs including implements, chemicals and seedlings to farmers</td>
</tr>
<tr>
<td>5.2 Support farmers’ access to tractors and other farm machinery</td>
</tr>
<tr>
<td>5.3 Provide extension services to farmers</td>
</tr>
<tr>
<td>Sub-total for Programme 5</td>
</tr>
</tbody>
</table>

| Total Economic and Financial Response | 1665 | 166.5 | 16.07 | 54 | 96.43 | |