


Webinar: Managing Budgetary Pressures from COVID-19 in Africa

9 April 2020

Location: Lockdown



Budget managers are frequently confronted with changing circumstances during the fiscal year that disrupts even the best prepared budgets. Some routine pressures require no more than regular adjustments to plans, while others become chronic and have a great impact on public finances. Then there are extraordinary shocks, which can be sudden and significantly threaten budget stability and service delivery.

COVID-19 has and is causing an extraordinary budgetary shock

We've had our fair share of extra. budgetary pressures

MANAGING BUDGETARY PRESSURES

OUAGADOUGOU
BURKINAFASO

7-9 March

2017

CABRI

Conference



- Political crises in Central African Republic
- Cyclones in Madagascar
- Social demands, such as fees must fall in South Africa and wage demands in Côte d'Ivoire
- Macroeconomic shocks such as decline in oil price and decline in trade revenue, such as in Nigeria and Lesotho, respectively
- Ebola epidemic in Liberia, Guinea and Sierra Leone

Common responses to extraordinary pressures

Immediate responses

- Cutting appropriated expenditure and reallocation
- Capital expenditure always suffers the most
- Increasing short-term borrowing
- Mopping up idle cash balances
- Contingency reserves have typically not been a viable option
- Usually adept at using the medium-term period to spread the cost for recovery, even if these plans did not always materialise

Medium to long-term responses

- Maximise efficiency of existing spending
- Increasing resources from existing tax bases by improving revenue administration
- Insuring against natural disasters
- Including models in the budget system to calculate probability of recurrence of pressures and their likely impact



Lessons learnt from previous crises

- Pressures usually coincide, resulting in budgetary crisis
- Extraordinary pressures expose institutional weaknesses and present opportunities for improvement
- Countries emphasise the need for good data and analysis
- Good PFM systems are essential for weathering crises
- When managed poorly, crises impact budget credibility in the long term
- Finance officials have a duty to communicate trade offs, given political pressure on budgetary decisions

How extraordinary is the current pressure?

Exogenous

- Trade links with affected partner continents;
- Decline in remittances from African diaspora;
- FDI: expected drop -5% to 15%
- ODA: pressures in donor countries
- IFFs and domestic financial market tightening

Endogenous

- ‘Ban’ on tourism;
- Morbidity and mortality of spread of the virus;
- Decrease in domestic demand and supply;
- Loss of tax revenue due to the loss of oil and commodity prices;
- Increase in public expenditure to safeguard human health and support economic activities.

Common PF responses to COVID-19 in Africa

Response measure	Number of countries announced by 7 April
Supplementary budget or finance law	5
Tax relief for businesses	18
Tax relief for individuals	4
Interest rate reductions	14
Dedicated funds	10
Support for vulnerable households	10



Thank you

And please:

- Stay indoors
- Wash hands
- Keep your distance
- Keep safe