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Article

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ASSESSING AND MITIGATING THE ECONOMIC EFFECTS OF THE CORONA VIRUS DISEASE (COVID-19) PANDEMIC IN THE WEST AFRICAN MONETARY ZONE

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Abstract

This paper explores the macroeconomic implications of the COVID-19 pandemic in the WAMZ and discusses measures that could be employed to mitigate the adverse economic effects of the pandemic to preserve the gains already achieved towards regional integration. It identifies the channels through which the various containment measures pursued globally and by WAMZ countries to mitigate the spread of the virus slow economic growth in WAMZ countries, including weakening of fiscal positions; reducing tourism, trade, remittances flows and foreign direct investment, and disruptions to local production. The policy responses proffered to Member States were validated by engaging Central Banks and Ministries of Finance, which allowed us to develop policy priorities that would complement the efforts of Member States to mitigate the adverse economic effects of the pandemic in these countries. This paper proffers measures to cushion the short-to medium-term dampening effects of the pandemic, including the deferment of tax obligations; extending credit facilities to targeted small and medium enterprises (SMEs); temporary extensions of loan maturities of businesses exposed to sectors mostly affected by the COVID-19 containment measures; strengthening cross-border trade and financial linkages; and supporting domestic production, particularly in the agricultural sector. It further recommends that WAMZ countries develop a framework for diversifying their economies, as a long-term strategy to support strong and sustainable growth, promote similarity in economic structures to foster regional integration and build economic resilience in the long run. This should be complemented by a regional health strategy to contain future health crises and mitigate potential adverse economic effects.

JEL Classification: E32, I15, N17

Keywords: Covid 19 pandemic, containment measures, economic growth, WAMZ.

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1.0 INTRODUCTION

The novel Corona Virus Disease 2019 (COVID-19) pandemic and associated economic and health system crises has elicited the interest of policymakers and academics across the globe. Since the outbreak of the virus in late 2019, the damaging economic effects have been visible not only in countries with high infection rates, but all over due to the sudden disruption to global economic activities. The common view in the policy discourse is that containment efforts (including travel restrictions, border closure, closure of schools and colleges, lockdowns, and quarantines) have had consequences of transmitting demand and supply shocks. The dampening effects on economic activity could persist in the medium to long-term, especially in countries/regions where responses are weak and uncoordinated.

Shocks to supply stem from the scourge of morbidity and mortality in affected countries and increases in the costs of doing business, triggered by the containment measures that cause restrictions in supply chains and tightening of credit (Georgieva, 2020). There are downside risks to output growth in the short-term, as most countries are experiencing significant reductions in capacity utilization following the enforcement of stringent containment measures for fear of widespread contagion. One of the countries mostly affected by the outbreak, China, is a key player in global supply chains, providing strategic intermediate goods such as electronics, automobiles, machinery, and equipments across countries. China is also a major destination for primary commodity exports especially from oil and mineral rich African countries. The closure of ports in China due to the spread of the virus has led to widespread production shutdowns and supply chain disruptions (McKenzie, 2020), weakening demand for primary commodity exports. The accompanying disruptions to the supply of strategic goods and services and increases in the costs of businesses, associated with the implementation of stringent containment measures across countries, represent a negative productivity shock that acts as a drag on the economy (Gopinath, 2020). Equally, the dampening effects of supply shocks are amplified by demand shocks. The demand shocks are driven by heightened uncertainty about the eventual outcomes of the pandemic and the containment measures, precautionary spending behavior of consumers and investment of firms, increasing borrowing costs and tightening of financial conditions that ultimately depress consumer spending and reduce the scale of investment of private sector companies (Georgieva, 2020; Gopinath, 2020).

As countries increasingly take measures to contain the pandemic, economies are not insulated from the direct loss of GDP, reflected in the negative shock to consumption of goods and services induced by the various containment measures. The economic loss to an economy would be more severe if the direct loss is amplified by strong indirect effects, manifested through a significant reduction in employment as output falls, triggering further reductions in income and consumption (see Gali, 2020). The increasing uncertainty in the business environment and worsening consumer sentiment may lead to the tightening of financial conditions, as banks become increasingly reluctant to lend to mitigate the risk of default, reducing credit to households and businesses and increasing the borrowing costs that could amplify financial vulnerabilities (Gopinath, 2020). The increasing uncertainty about the global economy, reflected in the worsening of business sentiment and consumer confidence, is creating ripple effects on economic activities. Countries are already expressing turbulent stock markets in major economies, which has had a knock-on effect on commodity prices particularly crude oil prices and foreign direct investment globally. Investors are not responding to cuts in central banks' monetary policy rates and the injection of stimulus packages by some governments who have the financial muscle to do so, because of the heightened uncertainty in the business environment.

Most African countries depend heavily on the Chinese economy to shore up exports of raw materials and commodities and China is also a major source of imported manufactured goods and strategic industrial components. It follows that there are downside risks to short-term growth in most sub-Saharan African countries, especially those that export large amounts of commodities to China such as Ghana, Angola, Congo, Equatorial Guinea, Zambia, South Africa, Gabon and Nigeria (McKenzie,

2020). As such, output growth in Africa is expected to decrease from 3.2 percent in 2019 to 1.8 percent in 2020 (UNECA, 2020).

There are, however, noticeable differences in the sectoral contribution to GDP across Member States in the West African Monetary Zone (WAMZ), which suggests that the containment measures would affect economic activities in the short run differently. For example, the tourism sector is a key driver of GDP in The Gambia, implying that the country would be affected more severely by shutdowns and travel restrictions. While countries like Ghana and Nigeria have enhanced domestic productive capacity, these countries would be substantially affected by weakening global commodity demand through petroleum exports. Similarly, Guinea, Liberia and Sierra Leone are exposed to vagaries in commodity prices since they are major exporters of minerals such as iron ore. Equally, The Gambia, Liberia and Sierra Leone are vulnerable to supply shocks, as domestic productive capacity is limited, and they rely heavily on imported goods.

This paper explores the macroeconomic implications of the COVID-19 pandemic in the WAMZ and discusses measures that could be employed to mitigate the adverse economic effects of the pandemic to preserve the gains already achieved towards regional integration. The WAMZ countries face daunting vulnerabilities, characterised by excessive dependence on strategic imports, external sources of finance and greater concentration of exports (Jarju et al., 2017). Amidst these vulnerabilities and low socio-economic levels, governments in the WAMZ have implemented fiscal and monetary policy stimulus packages, in addition to supporting health systems, to mitigate the short-term dampening economic effects of the pandemic in order to avert deeper and prolonged recession. In the absence of such measures to counter the downturn, the recession could be longer which would lead to lower investment, impeding efforts to enhance human capital through lost schooling and work as health and human toll increases, and disrupting trade and supply linkages (World Bank, 2020a). It is imperative, therefore, that such measures are pursued to complement the efforts of governments over the long-term to implement reforms that would cushion the negative consequences, when the health crisis is contained, to mitigate the long-term economic damage and promote sustainable growth to alleviate poverty in these countries.

The next section briefly describes the methods used, while section 3 provides potential macroeconomic impact of COVID-19. Section 4 summarizes the global and policy responses of Member States in the WAMZ to the COVID-19 pandemic, and section 5 concludes with some policy recommendations.

2.0 METHODS

We reviewed the literature on the economic impact of the COVID-19 pandemic, as well as the global and regional policy responses to mitigate the associated negative consequences. The policy responses proffered to Member States were validated through feedback received from Central Banks and Ministries of Finance. This was complemented by information sourced from lectures delivered by Central Banks virtually to enable us develop policy priorities that would complement the efforts of Member States to mitigate the adverse economic effects of the pandemic in these countries. More specifically, lectures were delivered by Directors of Research Departments of Central Banks in the WAMZ at a webinar organized by the West African Institute for Financial and Economic Management (WAIFEM) on the theme 'A Diagnostic Symposium on the Impact of COVID-19 on the Economies of WAIFEM Member Countries', held on June 15, 2020.

3.0 POTENTIAL MACROECONOMIC IMPACT OF COVID-19

The COVID-19 pandemic and associated containment measures have ushered unprecedented weakening effect on the global economy, causing disruptions to global supply chains and dampening aggregate demand. Due to the depressing effects of the pandemic, the global economy is expected to shrink by 5.2 percent in 2020 (World Bank, 2020a). It is anticipated that the crisis will drive most countries in Sub-Saharan Africa (SSA) into a recession in 2020, with growth in SSA forecast to decrease sharply from 2.4 percent in 2019 to -2.1 to -5.1 percent in 2020 (IMF, 2020a). A similarly weak growth pattern is expected in the WAMZ countries, where disruptions caused by the COVID-19 containment measures have impeded domestic production, oil, and commodity exports, among others.

To assess the economic impact of this pandemic, it is useful to consider more comprehensively key macrofinancial channels and spillovers that explain the economic repercussions of the pandemic (IMF, 2020b). The IMF identifies the main channels through which the pandemic can cause economic damages as the financial system, real economy, public finance, external position, commodity, and property prices. In the WAMZ, countries are highly susceptible to external shocks through excessive dependence on strategic imports, external sources of finance and greater concentration of exports. This suggests that the weakening of global trade and sluggish growth would amplify the negative economic effects of the containment measures implemented by Member States to contain the pandemic. Moreover, domestic production is limited, and largely undiversified and financial markets are underdeveloped. Given these characteristics, this paper considers a few channels through which the pandemic can potentially dampen economic activities in WAMZ countries. However, due to the paucity of high-frequency indicators and the short time since the onset of the pandemic in WAMZ countries in March 2020, it would be difficult to isolate the weakening economic effects of the containment measures and the cushioning effect of the economic response measures pursued by Member States. Where appropriate, this paper relies on preliminary estimates sourced from Member States to assess the likely economic effects through relevant channels such as public finance, external position, and the real economy.

3.1 Public Finance

Due to weak external demand and its knock-on effect on oil and mineral exports, and disruptions to domestic production, all WAMZ countries are expected to experience a sharp fall in mineral and oil receipts; import duties; and other tax receipts. Government expenditure is expected to increase, primarily through increases in health-related expenditures and social welfare spending, which are likely to worsen the fiscal deficits. The two strongest economies in the zone (Nigeria and Ghana) are highly dependent on oil revenue. Due to global lock down and travel bans, coupled with drastic cut in energy demand from China, oil prices dropped below \$30 a barrel. This warranted a review of the 2020 annual budget in Nigeria, which was based on the optimistic forecast of above \$50 per barrel.

Preliminary estimates suggest that in The Gambia, fiscal operations in the first six months of 2020, worsened as the overall deficit (including grants) increased to D1.6 billion (3.4 percent of GDP) compared to a deficit of D0.6 billion (1.4 percent of GDP) in the corresponding period of 2019. This development was attributed to a significant reduction in grants and an increase in recurrent expenditures. At the end of June 2020, a deficit of GH¢22.4 billion (6.3 percent of GDP) was recorded in Ghana, occasioned by revenue underperformance, extra-budgetary expenditures mainly on the COVID-19 pandemic and a sharp decline in oil prices. Owing to the COVID-19 related fiscal measures pursued by government, Guinea registered a fiscal deficit position (including grants) of GNF 538.0 billion (0.9 percent of GDP), as against a surplus of GNF 702.3 billion (1.3 percent of GDP) during

the corresponding period of 2019. Liberia recorded a deficit of US\$5.42 million (0.2 percent of GDP) in the first half of 2020 compared to a surplus recorded in the previous year. The worsening of the deficit was driven by revenue shortfalls in both tax and non-tax revenues. On the expenditure side, it augmented by 7.9 percent to US\$299.7 million (9.8 percent of GDP), compared with US\$277.6 million (17.2 percent of GDP). Provisional estimates showed that Nigeria's fiscal performance deteriorated by 428.6 percent to N2,804.3 billion in the first half of 2020, compared to N530.9 billion in the corresponding period of 2019. This development was mainly occasioned by the drastic shortfalls in oil prices on the international market, which gravely affected both oil and non-oil revenue components and the harmonization of foreign exchange rate, coupled with an increase in COVID-19 related health expenditures. Growth is projected to recover to 2.6 percent in 2021 with rising oil prices and increasing production. In Sierra Leone, however, government fiscal operations for the second quarter of 2020 improved as the overall deficit (including grants) narrowed to a deficit of SLL0.70 trillion (1.7 percent of GDP) compared to a deficit of SLL 0.73 trillion (2.6 percent of GDP) in March 2020. This was on the back of increased inflow of programme and project grants from development partners. However, when compared to a deficit of SLL0.19 trillion, in the corresponding period of 2019, the overall deficit worsened. Increased extra-budgetary expenditure to contain the COVID-19 outbreak and revenue losses due to the COVID-19 containment measures were the primary drivers of the worsening deficit.

3.2 External position

The dampening effect of the pandemic are amplified through capital flows, exchange rate depreciation, and impact on net exports, which ultimately lead to balance of payments difficulties (IMF, 2020b). In the WAMZ, the anticipated sluggish growth of the global economy would trigger balance of payments difficulties through a combination of effects. Key channels through which the pandemic could amplify such difficulties include weakening global demand for oil and mineral exports, reduction in inflows from remittances, tourism, foreign direct investment, and foreign aid. Countries in the WAMZ are highly dependent on the combination of commodity exports, tourism, and remittances for foreign currency earnings. It has been recently observed that the domestic currencies of many of the member countries have depreciated against the US dollar. Perhaps, largely due to the anticipated weaker export demand and fall in commodity prices as the global economy slows down. Similarly, owing to the growing sense of uncertainty and panic, foreign investment funds could flee these countries to rich countries. This can create huge funding gaps and exert severe pressure on domestic currency markets, leading to wider exchange rate variations.

In The Gambia, preliminary balance of payments (BOP) estimates suggested that for the first six month of 2020, the current account balance worsened to a deficit of US\$97.7 million (10.9 percent of GDP) from a deficit of US\$23.9 million (2.6 percent of GDP) in the corresponding period of 2019, due to deterioration in the goods and service accounts. Ghana recorded a lower trade surplus of US\$0.96 billion (1.4 percent of GDP) in the first six months of 2020, compared to a surplus of US\$1.4 billion (2.0 percent of GDP) for the corresponding period of 2019. The reduction in surplus during the period was driven by the collapse of crude oil prices on the international market, due to weak global demand on account of COVID-19.

In Guinea, the current account significantly improved to a surplus of USD1964.3 million (32.9 percent of GDP) in the first half of 2020, compared to USD157.8 million (2.7 percent of GDP) in the corresponding period of 2019. Similarly, capital account recorded an increase of USD49.6 million (0.8 percent of GDP), from USD25.1 million (0.4 percent of GDP). The improvement of the current and capital accounts were obtained from the trade balance which recorded a surplus of USD2407.4 million

resulting from a rise of good exports (+68.4.0 percent) as well as a drop in good imports (-25.1 percent). The country's exports continued to be dominated by gold which accounted around 60.0 percent of total good exports. The service balance, however, remained in deficit which deteriorated by 16.4 percent to USD 251.9 million.

In Liberia, the current account deficit deteriorated to US\$161.9 million (5.7 percent of the revised GDP), from US\$141.0 million (4.9 percent of GDP) recorded in the first quarter of 2020. This weak performance was attributed mainly to decreases in merchandise exports and receipts of secondary income amid increases in merchandise imports and payments of primary income. However, the overall balance recorded a surplus of US\$1.0 million (0.03 percent of GDP) at the end of the second quarter compared to a deficit balance of US\$38.5 million (1.4 percent of GDP) recorded in the previous quarter. The surplus was reflective of a decline in the reserve assets during the reviewed quarter. In addition, there was a rise in payments for goods and services that exceeded the fall in gross foreign reserves, thus leading to a marginal decrease in months of imports cover from 2.4 months in the previous quarter to 2.3 months in the quarter under review.

In Nigeria, the current account deficit worsened to US\$8,861.5 million (4.6 percent of GDP) in the first half of 2020, compared to US\$3,772.0 million (1.7 percent of GDP) recorded in the corresponding period of 2019, due to the effect of COVID-19 on the economy. Merchandise export increased by 20.9 percent to US\$19,720.5 million as of June 2020, compared to US\$16,317.8 million in June 2019. Conversely, merchandise import decreased by 69.2 percent to US\$24,784.5 million due to the slowdown in economic activities and travel restrictions on movement of people coronavirus pandemic. The overall balance expanded by US\$7,618.8 million to US\$7,667.6 million (3.9 percent of GDP) as of June 2020, compared to US\$48.8 million in June 2019.

In Sierra Leone, the trade deficit widened to US\$227.5 million in Quarter 1, 2020 from US\$164.0 million in Quarter 1, 2019, mainly due to the sharp drop in exports. Domestic exports fell to US\$111.1 million in Quarter 1 of 2020 from US\$139 million in Quarter 1, 2019. Relative to Quarter 4, 2019, domestic exports dropped by 54 per cent. Imports increased to US\$338.6 million in March 2020 from US\$302.6 million in the corresponding period in 2019 due mainly to the increase in the importation of food and medical equipment and supplies.

3.3 Real economy

The COVID-19 containment measures implemented by Member States including social distancing, lockdowns, and closure of non-essential businesses, internal travel restrictions and closure of borders, have severely constrained economic activities through production and consumption of goods and services. Real economic activities are projected to slowdown and will further worsen in the event of protracted health crisis. Borders were closed, trade and the movement of people are curtailed, and productive activities suspended. Some multinational companies operating in the WAMZ had to flee, many foreign workers repatriated. Many air and shipping lines services were suspended, hotel occupancy rates fell considerably, export receipts dwindled, and jobs are being lost as some businesses are grappling with the damaging costs of these containment measures. The disruptions could limit farmers' access to inputs, such as seeds, fertilizers, and insecticides. Uncertainty about the timing of containment of the pandemic could negatively impact planting decisions. This would in turn reduce the volume of main agricultural exports, because of the general downturn in global economic activity due to the pandemic. General shortage in food supply is anticipated if the pandemic persists. This could lead to food inflation, especially the imported food items.

Taking these developments into consideration suggests that there are downside risks to economic growth in WAMZ countries. As Member States have limited capacity to sustain the fiscal stimulus packages, it is expected that further deterioration in fiscal positions will compromise efforts of governments to undertake much needed infrastructural investments to complement domestic private investment and implement structural reforms to pave the way for sustainable growth and poverty alleviation.

The Gambian economy is projected to grow by 0.5 percent in 2020 contrary to the 6.3 percent initial projection, due to effects of the Covid-19 pandemic on tourism, constructions, trade, and other domestic economic activities. Real GDP growth is projected to contract by 3.2 in the first half of 2020, mainly on account of slow growth in agricultural output and a contraction of the Industrial and Services sectors of the economy. Owing to weak consumption and declining domestic projection, the Liberian economy was projected to contract by 2.5 percent in 2020. During the first half of 2020, the Nigerian economy contracted by 6.10 percent compared to the previous period of 2019, which recorded a growth rate of 2.12 percent. In real terms, the performance recorded in the second quarter of 2020 represents a decline of -8.22 percentage points, compared to the same quarter of 2019. The Sierra Leone economy is projected to contract by 3.1 percent in 2020 due to the impact of COVID-19 pandemic, compared to the original forecast of growth rate of 4.2 percent for 2020.

4.0 POLICY RESPONSES TO MITIGATE COVID-19

4.1 Global Response

The widespread disruptions to global supply chains through various containment actions implemented in China and other major global suppliers of intermediate goods and services show the growing interconnectedness and strong economic linkages across-borders. The containment of the pandemic is beyond the capacity of a single country. Complementary actions from sub-regional, regional, continental, and global bodies are important for maximum success. If COVID-19 is not addressed collectively, the global economy risk recession and perhaps in a worst-case scenario, a depression.

Recognizing the damaging effects of the containment actions, international organizations such as the IMF and the World Bank have underscored the need for coordinated international economic policy responses to prevent the pandemic from developing into a protracted economic recession. These institutions have requested bilateral creditors to suspend debt payments from some of the world's poorest countries to avail resources to these countries to enable them cope with the negative economic shocks associated with the pandemic. The IMF also announced in March 2020, a US\$50billion through its rapid-disbursing emergency financing facilities for low-income and emerging market countries to ease the budgetary pressures associated with the pandemic (Georgieva, 2020). The World Bank in March 2020 launched a US\$12 billion Fast Track Facility to support low income countries' preparedness and for the strengthening of health systems and emergency response capacity to the COVID-19 in low income countries. This amount has since been increased to US\$14 billion. In Africa, the African Development Bank in March 2020 launched a \$3 billion three-year bond to help alleviate the economic and social impact the Covid-19 pandemic in the continent (AfDB, 2020).

Central Banks across the world have reduced interest rates and lowered required reserve ratios, making more funds available to both private and public sectors, whilst Ministries of Finance are providing fiscal rescue packages to mitigate the adverse impact of COVID-19.

4.2 Policy Responses in the WAMZ Member Countries

The number of confirmed cases of COVID-19 in the WAMZ reached 123 infected persons as of 25th March 2020 and were mostly imported, which led to fear that the numbers could rise rapidly and spread within local communities. The Zone responded swiftly to the pandemic by taking stringent containment measures including social distancing, lockdowns, and closure of non-essential businesses, internal travel restrictions and closure of borders. Member countries simultaneously implemented economic measures to mitigate the economic costs of containment, including fiscal, monetary, and financial policies to cushion the unprecedented adverse economic effects of the pandemic on their economies. This section summarizes each Member States' policy responses in the wake of the COVID-19 crisis as of 15th June 2020.

4.2.1 Fiscal policy

As part of fiscal policy response, The Gambia sought for a grant of US\$9 million from the IMF. The government also reprioritised recurrent budget spending by reallocating 500 million dalasi (0.6 percent of GDP) to the Ministry of Health and other allied institutions (IMF, 2020). To help in coping with the lockdown, the government provided food to households and assistance to support SMEs to mitigate the challenges brought about by the pandemic (Central Bank of The Gambia, 2020).

In Ghana, the Authorities realigned their expenditures in view of potential revenue shortfalls by prioritizing health related expenditures, directing resources towards COVID-19 preparedness and response plans. A funding gap of 5.4 percent of GDP (GHS 21.43 billion) was estimated by the central bank as the financing needs of the government by end March 2020. Ghana collaborated with development partners to access an IMF Rapid Credit Facility of US\$1 billion and secured US\$300 million from the World Bank. In addition, US \$ 219 million was drawdown from the country's strategic reserves. These efforts culminating in reducing the financing gap to 3.1 percent of GDP (Bank of Ghana, 2020).

The government of Guinea prepared a National Emergency Preparedness and Response Plan for COVID-19 outbreak with special surveillance on ports of entry, reinforcing the capacity for detection, public campaigns and the provision of the necessary medicaments and logistics (IMF, 2020). The implementation cost of the plan was earmarked to be US\$47 million (0.3 percent of GDP) with an additional economic response package estimated at US\$ 328 million (2.3 percent of GDP) announced on April 6, 2020, to principally support the health sector, vulnerable groups and businesses. The government spent an additional amount of US\$ 50 million (0.34 percent of GDP) on palliative programmes which ended in June 2020. Other important fiscal policy responses implemented include:

- Direct cash transfer payments;
- Tax reliefs and social contributions including exemptions from utility payments;
- Support to the agricultural sector; and
- Import duty exemption for the fishing sector (IMF, 2020).

On its part, Liberia with support from the donor community activated a preparedness plan to support health care workers, purchase and rehabilitate their health care equipment and procure drugs and other medical supplies. The World Bank approved US\$ 40.0 million and the IMF approved US\$50.0 million as budget support to enhance the country's response capacity to the COVID-19 pandemic. The

government allocated US\$25 million palliative package used for the distribution of food to vulnerable persons in the country (Central Bank of Liberia, 2020).

To contain the spread of the virus, Nigeria released contingency funds of N984 million (\$2.7 million), to the Nigeria's Center for Disease Control, and an additional N6.5 billion (US\$18 million). The Federal Government also reviewed its 2020 budget in the face of the sharp drop in oil revenues. This results in a cutback on non-essential spending by N1.5 trillion (about 1 percent of GDP) (IMF 2020). The IMF and the African Development Bank (AfDB) approved and disbursed US \$3.4 billion and \$288.5 million respectively to augment the Federal Governments efforts in responding to the pandemic (Central Bank of Nigeria, 2020). Further, the authorities implemented a fiscal stimulus package for businesses such as tax reliefs, retention, and recruitment of new staff, as well as the waiving of import duties for pharmaceutical companies (IMF, 2020). The key components of the fiscal stimulus package issued by the Federal Government include:

- The Establishment of a N500 billion COVID-19 Intervention Fund, including US\$ 190 million from the World Bank Regional Disease Surveillance System and N102.5 billion direct investment in the health system;
- Augmenting allocations to State Governments and granting a moratorium on States' debts including the allocation of US\$150 million from the Nigeria Sovereign Investment Authority (NSIA) Stabilization Fund to the States; and
- Corporate tax exemptions for micro, small and medium enterprises, reduction in corporate tax burden from 30 to 20 percent for medium size enterprises with VAT exemptions on food, and other essential items (Central Bank of Nigeria, 2020).

In a similar fashion, the Government of Sierra Leone developed a short-term Quick Action Economic Response Programme (QAERP), including the COVID-19 Preparedness Response Plan for the healthcare sector, to maintain macro-economic and financial stability and mitigate the impact of the COVID-19 shock on businesses and households. This programme was aimed at facilitating the provision of essential commodities and support SMEs and vulnerable populations. The country benefited from a debt relief of US\$13.8 million under the Catastrophic Containment and Relief Trust of the IMF, including US\$143million from the Rapid Credit Facility. Grant funding of US\$100million was received from the World Bank. The Government of Sierra Leone implemented the following measures to ease the economic costs of the pandemic:

- Expanded the existing cash transfer programme implemented by National commission for social Action (NACSA);
- Food assistance to vulnerable groups;
- Support to small-scale farmers through inputs including implements, chemicals and seedlings;
- Cash transfers to farmers for payment of labour; and
- Provision of extension services to farmers.

4.2.2 Monetary and Financial Policy

As regards the monetary policy response to the Covid-19 pandemic, The Gambia authorities pursued an expansionary monetary policy stance, reducing the policy rate by 50 basis points at end-February 2020 to 12 percent to signal its policy direction to DMB's. It hiked the standing deposit facility of banks to 3 percent from 2.5 percent. It continued to closely monitor developments in the domestic financial sector and firmed-up measures to provide emergency liquidity support, whilst efforts were intensified at the regulatory and supervisory front to ensure safety and soundness (IMF, 2020). The CBG reduced the reserves requirement to provide additional liquidity for banks to enable increase their lending to the private sector (Central Bank of The Gambia, 2020). The Monetary Policy Rate (MPR) was further reduced by 200 basis point to 10.0 percent on 27th May 2020, as inflationary pressures eased, exchange rate stabilized and to support the economy amid the disruptive impacts of COVID-19 pandemic.

The central bank authorities of Ghana reduced its policy rate by 150 basis points on 18th March 2020 to free up additional liquidity of about GHS2.0 billion for banks and specialised deposit-taking institutions (SDIs) to lend to critical sectors of the economy. Moreover, they activated an Asset Purchase Programme (APP), through the purchase of government of Ghana COVID-19 relief bond with a face value of GH¢5.5 billion (10-year tenor with a 2-year moratorium on principal and interest payment). The cash reserve ratio requirement was reduced from 10 to 8 percent and the capital conservation buffer from 3 to 1.5 percent (GHS1.1 billion in capital relief to banks). The central bank of Ghana also reviewed some of the provisioning and classification requirements for some categories of loans in order enhance the provision of credit and limit the impact of defaulting loans on the books of banks. The bank further reduced the cost of e-money payments (mobile money wallets) under the payments system stimulus. Other collaborative measure taken by the bank in conjunction with commercial banks to reduce the impact of the pandemic include:

- The suspension of 2019 dividends payment aimed at shoring the capital and liquidity of the banks, as well as reducing the interest rate on credit to private sector by about 200 basis point;
- Creating a stimulus package of GHS 3.0 billion credit facility for key industries including pharmaceuticals, hospitality, services, and manufacturing sectors;
- Provision of a 6-month moratorium on principal payments of loans for the worst-hit sectors – Airline and Hospitality Industries;
- The re-classification of loans to Microfinance Institutions (MFIs) that have passed their repayments period for up to 30 days as “current” akin to what was extended to the Special Deposit Institutions (SDIs) sector. and
- Provided liquidity support to the SDIs and extended the deadline for MFIs to meet their minimum capital requirement from February 2020 to December 2021 (IMF, 2020; Bank of Ghana, 2020).

Similarly, The Central Bank of Liberia (CBL) reduced its policy rate by 500 basis points to 25.0 percent to spur lending and growth in the real sector. The bank collaborated with the banking sector and relaxed some of the rules pertaining to loan classification and provisioning for sectors of the economy that are exposed to the vagaries of COVID-19. The bank further suspended fees and charges for mobile money operations and others such as POS whilst increasing the allowable limits for daily and aggregate transactions (Research Department, Central Bank of Liberia 2020).

In trying to avoid the build-up of non-performing loans in deposit money banks (DMBs), the Central Bank of Nigeria encouraged Nigerian banks to grant forbearances to their customers by restructuring as much as 41% of their loans to customers. The bank also set out a few measures to tackle the impact of the coronavirus, including establishing a fund of 50 billion naira (EUR 121 million), to support the

country's economy targeting households, micro, enterprises. Apart from providing support to households, it aimed to stimulate credit to MSMEs to expand their productive capacity through equipment upgrade, and research and development.

The CBN also offered facility for a Non-Interest Financial Institutions under its Agri-Business, Small and Medium Enterprise Investment Scheme (AGSMEIS) and Micro, Small and Medium Enterprises Development Fund (MSMEDF). The bank further granted N250 billion stimulus to the oil and gas sector under a National Gas Expansion Programme to help stimulate investment in the gas value chain and spur its use in transportation as an alternative to fuel-powered cars. It further introduced grant for Healthcare Sector Research and Development Intervention Scheme (HSRDIS). The scheme is to help strengthen the public healthcare system with innovative financing of research and development (R&D) in new and improved drugs, vaccines, and diagnostics of infectious diseases in Nigeria.

Further to these measures, the CBN introduced far-reaching policies including:

- The adoption of a unified exchange rate system for Inter-Bank and parallel market rates to ease pressure on FOREX earnings as oil prices continues to plummet.
- Adoption of the official exchange rate of NGN360 to a dollar for International Money Transfer Operators to banks.
- Directing financial institutions to engage International development partners and negotiate concessions to ease the pains of the borrowers.
- Providing credit assistance for the health industry to meet the potential increase in demand for health services and products by facilitating favorable borrowing conditions for pharmaceutical companies, hospitals and practitioners.
- Establishing a program to support local maize farmers in Nigeria, with projected production of 12.5 million tons of maize in 18 months.
- Introducing guidelines on Accelerated Agricultural Development Scheme (AADS) along with seven other intervention schemes in its package.

In Sierra Leone, the government provided reliefs to businesses through the provision of loans at concessional rates. The government also guaranteed some loans and suspended interest on exposures to the tourism sector along with the commencement of a national micro-credit scheme (Bank of Sierra Leone 2020). The Monetary authorities provided the following stimulus to contain the disease:

- reduced the monetary policy rate by 150 bps from 16.5 percent to 15 percent in March, 2020;
- created a special credit facility of Le 500 billion (US\$50 million) to support production, procurement and distribution of essential goods;
- extended the reserve requirement maintenance period from 14 to 28 days to ease tight liquidity; and
- The authorities also announced intentions to provide FX resources to ensure the importation of essential goods. The exchange rate has been allowed to adjust (Bank of Sierra Leone 2020).

The government also granted support to businesses through measures such as the provision of loans at concessional rates, government guarantee of loans, suspension of interest on exposures to the tourism sector, and the commencement of a National Micro-Credit Scheme (Bank of Sierra Leone, 2020).

5.0 CONCLUSIONS AND POLICY RECOMMENDATIONS

This paper examined the macroeconomic implications of the COVID-19 pandemic in the WAMZ and discussed measures that could be employed to mitigate the adverse economic effects of the pandemic to preserve the gains already achieved towards regional integration. It identified the channels through which the various containment measures pursued globally and by Member States to mitigate the spread of the virus impede economic growth in WAMZ countries. Because WAMZ economies are characterized by daunting vulnerabilities and low socio-economic levels, the short-term depressing effects of the measures to contain the spread of COVID-19 on economic activities are inevitable. It is imperative that these countries proactively respond to the outbreak by providing support to the health systems to contain the spread of the virus and implementing a mix of fiscal and monetary policy stimulus packages to cushion the dampening economic effects. In the absence of such measures, the pandemic could induce deeper and longer recession, which can cause long-term economic damage and compromise efforts of governments to promote sustainable growth, alleviate poverty and foster regional integration.

Complementing the policies already pursued by the individual Member States, this paper hereby proffers additional measures to targeted sectors, where appropriate, to mitigate the drag on economic growth in the Zone.

- i. The fiscal authorities should consider the policy of deferment of tax obligations to temporarily support sectors severely hit by the COVID-19 containment measures, such as tourism, including the aviation industry and businesses in hospitality such as hotels and restaurants for an appropriate period. While this policy would impose budgetary pressures in some economies, the goal is to avert huge job losses that would in turn reduce consumer spending, through reductions in income and increases in precautionary savings, which will ultimately dampen short-term growth.
- ii. Where feasible, the fiscal authorities should provide temporary VAT exemptions for small businesses to lessen the effects of the COVID-19 containment measures on cash flows; provide targeted cash transfers to vulnerable individuals and households and tax relief to affected individuals.
- iii. Central banks should provide temporary credit facility to targeted small and medium enterprises to support domestic productive capacity, through commercial banks at modest interest rates. These institutions should be incentivized to administer this special lending facility and the terms of the credit facility should be carefully defined to prevent abuse.
- iv. Supervisors of central banks should regularly assess the liquidity and loan portfolio of systemically important commercial banks, whose clients are particularly exposed to sectors mostly affected by the COVID-19 containment measures, such as commerce, tourism and commodity exporting firms. Supervisors can work closely with financial institutions for temporary extensions of loan maturities to avert default on loan repayments, which, otherwise would increase the volume of non-performing loans and erode their capital base.

- v. Central banks should develop contingency plans to provide liquidity into the banking system, especially to financial institutions that are heavily exposed to sectors mostly hit by the crisis.
- vi. Central banks should facilitate the finalization and adoption of bilateral swap arrangements to facilitate cross-border transactions and encourage commercial banks to facilitate transactions within the Zone in the national currencies to reduce foreign exchange pressures.
- vii. Promote cross-country economic activities by reducing restrictions from frontier closure policies as this approach further dampens tourism, FDI and inter-regional trade. Given the strong cross-border economic linkages between WAMZ countries, governments should establish well-coordinated Inter-States trade corridors to facilitate the importation/exporting of essential commodities and cushion the effects of the containment measures in these economies.
- viii. WAMZ countries should develop a regional framework for diversifying their respective economies, as part of a long-term strategy to implement reforms that would support strong and sustainable growth, promote similarity in economic structures to foster regional integration, and build economic resilience. Building economic resilience in the Zone would be achieved through the determined effort of individual member countries to diversify their respective economies and develop key sectors, especially agriculture to achieve food sufficiency. Deliberate efforts should therefore be taken by governments to revive and sustain their agricultural sectors in these countries.
- ix. The Zone should seize this opportunity and use the resources allocated to the COVID-19 pandemic to improve upon the facilities in the health sectors. WAMZ countries should also develop a regional health strategy to curtail spread of future diseases and mitigate associated damaging economic effects.

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