COVID 19 - DFIs Response in Support of the African Financial Sector

Making Finance Work for Africa

OUR WEBINAR WILL START SHORTLY ...
MFW4A WEBINAR SERIES

Outline

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Todays’ session is scheduled to last 1 hour including Q&A

To ensure the highest quality of experience, all participants will be muted

QUESTIONS can be submitted via the “Chat” or “Q&A”

For Live questions / Comments: Click on the “Raise Hand” icon to speak (Lower Hand and mute after)

Slides and a recording of this presentation will be circulated to registered participants within 72-hours following the webinar They will also be available on MFW4A.ORG.

Message the organizers for any issues

Don’t forget to fill out the survey that appears automatically after the session
G8 initiative launched in October 2007.

Common platform for the harmonization and facilitation of financial sector development and knowledge sharing in Africa.

Donor partners, African governments, the private sector, and other financial sector with the aim of unleashing the full potential of Africa's financial sector in order to drive economic development and reduce poverty across the continent.
Our work program encompasses three inter-linked strategic pillars:

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Knowledge Management and Advocacy

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www.mfw4a.org
COVID-19 In an inter-connected world economy

- Global Health Emergency (GHE)
- Impact on the world population and global economy
- Global recession

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Introduction

- Covid-19 and increased risk of banking and financial crisis
  - The plight of borrowers operating in directly exposed sectors
  - Reduction in the volume of world trade and trade finance
  - Increasing risks of SMEs failure
  - Collapse of borrowers’ repayment capacity leading to non-compliance with certain prudential ratios
  - Increase in non-performing loans leading to a reduction in profitability
  - Drastic drop in capital flows limiting the possibilities of mobilizing additional resources for public spending and for the private sector
  - Some banking systems may require recapitalization or restructuring

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Local stakeholders’ expectations (recent webinars key recommendations)

1. Partially “de-dollarize” financial assistance provided;
2. Develop cross-border activities/investments on African capital markets;
3. Inject cash into regional financial institutions;
4. DFIs to set up risk mitigation instruments;
5. Provide long-term resources at preferential rates;
6. Fund expansion of financial digital interfaces and so-called "Fintechs" solutions;
Introduction

- Local stakeholders’ expectations (recent webinars key recommendations)

7. Strengthen financial literacy policies and campaigns;
8. Enable for greater flexibility with regard to regulatory compliance;
9. Provide tax break to alleviate impact of increased NPLs on the bottom line;
10. Ease regulatory framework for debt restructuring;
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- US $10 billion
- US $3 billion
- US $14 billion
- EUR 1.15 billion
- EUR 15 billion
- US $100 billion

EUR 15 billion

EUR 15 billion

EUR 15 billion
Panelists

Stefan Nalletamby,
Director, Financial Sector Development Department, African Development Bank

Intong Eric Monchu
Senior Manager, Trade Finance, Afreximbank

Xavier Muron
Head, Financial Systems, Agence Française de Développement

Zeph Nhleko
Chief Economist, Development Bank of Southern Africa

Moderator

Wambui Chege
Chair, Making Finance Work for Africa Partnership

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AfDB’s COVID-19 Rapid Reaction Facility (CRF)

Stefan Nalletamby,
Director, Financial Sector Development Department
African Development Bank

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The Bank COVID-19 Rapid Reaction Facility (CRF), will provide a flexible range of support within the US$ 10 billion envelope:

- Up to US$ 8.7 billion for sovereign and regional operations in support of Regional Members Countries (RCMs);
- Up to US$ 1.3 billion for Non-Sovereign Operations (NSOs) in all African countries.

Non-Sovereign Operations instruments include:

- Debt services deferrals – US$ 688 million
- Short-term liquidity facility – US$ 413 million
- Trade finance – US$ 138 million
- Guarantees – US$ 138 million
CRF lending will focus on operations that best support the most urgent priorities of client countries and their private sectors.

CRF operations will be subject to streamlined and expedited approval process.

The facility also seeks to:
- Attract the support of multilateral, bilateral and commercial lenders, and
- Provide support to African governments, communities and economies during this unprecedented crisis.
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Pandemic Trade Impact Mitigation Facility (PATIMFA)

Intong Eric Monchu
Senior Manager, Trade Finance
Afreximbank
The Pandemic Trade Impact Mitigation Facility (PATIMFA) - a $3-billion facility - is designed to assist Afreximbank member countries in managing the adverse impact of financial, economic and health shocks caused by epidemics/pandemics, in the nature of COVID-19

- PATIMFA will be available in multiple currencies, including US Dollar, Euro, Yuan and African local currencies.

- Eligible Beneficiaries include Governments, Central Banks, Commercial Banks, National and Sub-Regional Development Banks and Corporates.

- The Facility will also be available by way of:
  - Direct cash advances, term loans and lines of Credit;
  - Confirmation and refinancing of documentary credits;
  - Guarantees; and
  - Cross-currency/interest rate swaps
Afreximbank

• The sources of repayments will include:

- Assigned identified receivables, which may include, but not limited to, mining royalties, identified export proceeds from commodities, such as crude oil, iron ore, copper, gold; and/or local sales proceeds (if applicable).
- Debit of the Cash Collateral Account (where applicable).
- Direct from the Beneficiary.
- Assignment of proceeds of loans which the facility may bridge.
- Liquidation of liquid assets such as Treasury Bills, bonds, listed shares, etc., held as collateral.
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**Immediate response : Health in common**
Redirecting flows towards health programs to help Governments face the crisis and its immediate consequences

**Response through Financial Systems :**

1. **Show flexibility to support short term needs :**
   - Fast-track and ease disbursement on existing credit agreements (within our result framework : SDGs and Paris Agreement).
   - Provide additional financings (Top up) to existing partners up to € 500million

2. **Design additional guarantee mechanisms with UE to de-risk new operations in a deteriorating environment, especially in the Microfinance sector. (Mostly needed for PROPARCO)**
Agence Française de Développement

- On a 2nd run, provide public financial institutions with resources to enhance their counter cyclical role in the recovery phase
- Make sure Financial Inclusion sector recovery is rapid to provide basic financial needs to the most vulnerable populations (and act fully as social safety nets)
- Help financial authorities/regulatory bodies build resilience through the crisis and prepare for new shocks
- Accelerate transitions with regards to the 2030 Agenda including Climate and SDGs.
  - Vulnerabilities are likely to be exacerbated in the aftermaths of COVID crisis
  - Digitalization is a key response to improve efficiency
- Governments and Financial sector stakeholders to keep focus on this: there is a huge need for green and inclusive recovery
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Humanitarian, short and long term initiatives

Zeph Nhleko
Chief Economist
Development Bank of Southern Africa
Development Bank of Southern Africa

- Initiatives - Humanitarian
  - Direct fight with COVID-19
    1. Contribution to solidarity fund
    2. Support national disaster management centre
    3. Provide personal protective and other health equipment

- Initiatives - Short-term
  - Productivity-inducing initiatives
    - Support 25 districts in 7 provinces

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**Initiatives – Long-term**

- Economic recovery through infrastructure focus
  
  1. **Prepare and build projects**
     - Prepare projects for infrastructure development symposium and beyond
     - Deliver infrastructure as per IDD strategy (incl. capacity support & monitoring)
     - Liquidity facility for small contractors
     - Embedded energy generation for municipalities
  
  2. **District development model**
     - Pilot District Hubs, Pilot One-Plans and IMS in place by Q1 2020/21
     - Local government economic recovery support

  3. **Infrastructure fund (operational by mid-2020)**

  4. **Digital labs**
     - Implementation as per COVID-19 induced revisions
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