

CEoG Covid-19 webinar on 14 April 2020

The webinar was held under Chatham House rules. Questions and answers have been aggregated and anonymized.

I. Participants:

19 current advisors
1 emeritus advisor
2 advisors staff members
2 network experts
9 WBG staff

II. Discussion notes

1. **Policy responses in the short, medium and long-term**

Q: The Pulse stated that given the high levels of informality in African countries, there is a need to control movement in a responsible manner. This has been reported as ‘do not do a lockdown’ by certain local media. What is the clarification of the WBG policy on lockdowns?

Q: How should African countries be thinking about the long-term response? Should we separate short-term policies that allow us to have a better understanding of COVID-19 from longer term policies?

Q: In terms of policies to mitigate the spread of COVID19, what is the interaction between the formal and informal sectors? Can one be shut down without impacting the other?

Answers:

Confinement is useful but is important to accompany confinement with measures that will allow it to succeed. With a large informal sector, it will be very difficult to enforce confinement for a long period of time without ramping up social protection and providing support to needy who live from hand to mouth.

This crisis presents an ‘opportunity’ to think creatively and to take policy actions that would otherwise be difficult to take. An important distinction is not between short- and long-term

policies, but rather it is about policies that can be taken now to sow the seeds for resilience beyond the crisis. It is especially important to implement costless reforms such as lowering non-tariff barriers, improving debt management and transparency, or targetting illicit financial flows.

Right now, governments are making policy under a lot of uncertainty. They need space and flexibility to update policies and change their minds. Data is essential for this, as well as clear communication. Governments need to maintain the public trust. This was one clear lesson from the Ebola crisis: mobilizing community leaders to dissemination of information and to organize local supply chains.

The informal sector is more resilient to macro shocks coming from import compression, while the formal sector tends to be more exposed to imports. With COVID-19, the informal sector is deeply affected due to social distancing measures. There are no clear solutions, but policies should focus on tiding over the poorest of the poor, such as small, regular transfers by mobile money and encouraging the use of digital payments. One thing that came out of the CGE model is that it is essential that food supply chains are not disrupted, especially in areas where informal trade makes up a large part of food supply.

2. Debt relief

Q: Has the proposal on the moratorium been accepted?

Q: Debt relief and other international policy measures organized around the labels of high-, low- and middle- income countries is not currently appropriate. Previously middle-income countries are now low-income countries.

Q: Some countries face significant burdens of commercial debt, and debt to countries outside the Paris club. How are these represented in the proposals to bilateral donors?

Answers:

The debt service moratorium is still in the works. The IMF has already granted relief to a number of countries and the hope is that by the end of the week (i.e. Friday 17 April), there will be announcements of bilateral and multilateral standstills. The revenue will be used for COVID-19 responses.

The Pulse (e.g. Figure 2.2 on pg 86) shows that the structure of African debt has changed considerably. A standstill on bilateral debt would be great, but not enough. A large percentage is private debt. The main problem with private debt is that there is no coordination. However, there are encouraging signs with the AU playing a central role in the talks and may help with the coordination process.

This is a discussion that is being held at the G20 level, and the G20 includes countries that are not in the Paris club, so there are broader opportunities for coordination.

3. How will countries find fiscal space?

Q: Countries need to continue collecting tax revenues but right now the private sector needs relief. How will governments make up the financing gap?

Q: What are interventions countries can take to protect the vulnerable without compromising the countries' macroeconomic positions?

Q: Countries will have to cut down on non-essential spending. But they will also have to cut back on essential spending, such as defense and security. How should countries identify essential spending that needs to be cut?

Answers

It is especially important to make good use of limited resources, and to try to ensure that response measures now do not result in bad allocation of resources and asset hangovers. For example, countries making transfers could use mobile phone data for targeting, e.g. by sending transfers to people clustered around specific masks. Small, frequent mobile phone payments to the poorest could help them get through the crisis period without falling into an asset-based poverty trap.

Multilaterals are already agreeing that fiscal deficits may widen, and that different revenue mobilization measures will be enforced. An important aspect of the debt-standstill stimulus is that countries will use it to improve the efficiency of spending.

Countries should try as much as possible to protect investments that will allow a faster recovery. For example, projects to deliver energy should be sustained; water, sanitation and hygiene investments should be protected. Deaths from causes other than COVID-19 also matter. In some countries, non-covid deaths are currently higher than covid deaths, because people have been told not to use the health service. In the case of Africa, rural clinics need to be kept going at all costs in order to prevent deaths in people who are vulnerable in other circumstances.